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Occidental Petroleum Corporation Annual Report 1976

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COVER: The Occidental Petroleum Corporation group's Piper field drilling and production platform, situated in 475 feet of water in the often turbulent British North Sea approximately 100 miles east of Scotland, was constructed, installed and completed in record time. The derricks on the platform are used to drill production wells from the previously discovered field. The crude oil is pumped from the platform into a 130-mile, 30-inch pipeline and transported to the Occidental group's new terminal on Flotta Island in the Orkneys where it is gathered and stored. There, sea-going tankers load the Piper field crude and haul it to market.

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Occidental Petroleum Corporation/Financial Highlights

	1976	1975
Net sales	**$5,534,399,000**	$5,345,938,000
Income:		
From continuing operations	**$ 185,396,000**	$ 174,608,000
Discontinued operation	**$ (1,675,000)**	$ (2,652,000)
Net income	**$ 183,721,000**	$ 171,956,000
Per common share (after deducting preferred stock dividend requirements and amortization of discount on nonconvertible preferred stock) —		
From continuing operations	**$ 2.80**	$ 2.69
Discontinued operation	**$ (0.03)**	$ (0.05)
Net income	**$ 2.77**	$ 2.64
Average number of common shares outstanding during year	**56,775,000**	55,883,000
Number of common shareholders at year end	**264,000**	278,000
Market price of common shares, high-low	**24½ - 13½**	22⅝ - 12⅝
Number of preferred shareholders ($8.00, $4.00, $3.60, $2.50, $2.16) at year end	**47,000**	49,000
Financial position:		
Current assets	**$1,354,102,000**	$1,327,998,000
Current liabilities	**$ 913,679,000**	$ 783,366,000
Property, plant and equipment, net	**$2,327,621,000**	$1,928,032,000
Total assets	**$3,904,995,000**	$3,503,372,000
Long-term debt	**$ 924,778,000**	$ 853,323,000
Notes and amounts due to Libyan government and its agencies	**$ 272,000,000**	$ 272,000,000
Shareholders' equity	**$1,305,276,000**	$1,200,606,000
Working capital provided from operations	**$ 364,697,000**	$ 418,620,000
Additions to property, plant and equipment	**$ 553,623,000**	$ 495,720,000
Research and development costs	**$ 32,595,000**	$ 25,231,000
Number of employees	**33,000**	33,000

Occidental Petroleum Corporation/Major Activities

	Oil and Gas	Coal	Chemicals	
	(amounts in millions)			
1976				
Net Sales	$3,403.6	$559.8	$1,538.0	
Operating income	$ 82.3	$111.7	$ 155.2	
Interest income	14.5	24.8	8.3	
Interest expense	(17.3)	(11.7)	(28.2)	
Income taxes other than Libyan income taxes*	(15.2)	(26.9)	(52.4)	
Divisional Net Income From Continuing Operations	$ 64.3	$ 97.9	$ 82.9	$245.1
Discontinued operation				(1.7)
Occidental Petroleum Corporation items not allocated to major activities:				
Interest				(52.3)
Corporate administration, other corporate activities and domestic income taxes*				(7.4)
Occidental Petroleum Corporation Net Income				$183.7
1975				
Net Sales	$3,068.3	$658.8	$1,585.2	
Operating income	$ (40.8)	$174.8	$ 170.9	
Interest income	55.2	28.0	3.9	
Interest expense	(48.1)	(7.9)	(23.2)	
Income taxes other than Libyan income taxes*	38.3	(64.3)	(65.8)	
Divisional Net Income From Continuing Operations	$ 4.6	$130.6	$ 85.8	$221.0
Discontinued operation				(2.7)
Occidental Petroleum Corporation items not allocated to major activities:				
Interest				(58.4)
Corporate administration, other corporate activities and domestic income taxes*				12.1
Occidental Petroleum Corporation Net Income				$172.0

*Domestic income taxes are accrued by the major activities as if they filed separate tax returns. The offsetting credit is netted against corporate administration, other corporate activities and domestic income taxes.

Occidental Petroleum Corporation is engaged in the exploration for and development and production of natural resources, principally oil and gas outside the United States and coal within the United States; the transportation of petroleum and petroleum products internationally and in the United States and the manufacture and distribution of industrial chemicals and plastics, metal-finishing chemicals and equipment and agricultural chemicals and fertilizers, both domestically and internationally. In order to compare the major activities of Occidental with other companies in the respective industries, financial statements of the company's major business activity divisions are presented elsewhere in this report as if they were separate companies. In the preparation of these statements, certain allocations of interest and other corporate costs have been made in order to present a clear financial picture for the divisions.

To the Shareholders

Occidental Petroleum Corporation's net earnings for 1976 were $183.7 million, a seven per cent improvement over the $172 million earned in 1975. Primary earnings per common share were $2.77 in 1976 compared to $2.64 in 1975, while fully-diluted earnings per common share in 1976 were $2.27 as against $2.20 in 1975. 1976 sales of $5.5 billion were slightly higher than the $5.3 billion reported in 1975. 1977 sales should exceed $7 billion, with an important portion of the increase building up as additional North Sea wells come on stream.

1976 was a year in which Occidental demonstrated the strength and resilience to absorb the impact of adverse market conditions. Both the coal and fertilizer industries experienced depressed prices which reduced earnings for our Island Creek Coal and Hooker Chemical divisions. These setbacks, however, were more than overcome by substantially increased oil and gas earnings.

The flow of oil from our British North Sea operations, which began in December, 1976 and in which Occidental has a 36.5 per cent share, will provide a substantial new source of earnings and cash flow for the corporation. From initial production in December, 1976, we expect the Piper field to build up to a gross production rate of 250,000 barrels per day early in the second half of 1977. Moreover, the Claymore field is scheduled to come on stream in mid-1977, reaching peak production of about 170,000 barrels per day in late 1978.

Libya continues to be an important source of earnings to Occidental. Since the resolution of our dispute with the Libyan government in late 1975, operations there have been proceeding normally, and we have a good working relationship with Libya.

Island Creek Coal Division earnings declined in 1976 due to lower spot prices for steam coal and some grades of metallurgical coal and the impact of wildcat strikes in July and August, 1976. Markets for high-quality metallurgical coal were stable, however, and toward the end of the year there were indications that prices for low-sulphur utility steam coals were beginning to firm up after 18 months of depressed markets.

We are developing five new mines and a mine complex which will add about nine million tons per year of productive capacity, mostly for metallurgical coal. In addition, we have under close study several projects which would add a further ten million tons. Several of these new projects would involve new mines in the western United States. The capital cost of all these projects is currently estimated at $615 million.

In the Hooker Chemical Division, both the industrial chemicals and plastics and metal-finishing operations finished the year with substantially improved earnings over 1975. Unfortunately, the earnings in the fertilizer business were severely depressed.

Occidental is moving ahead with its in-situ oil shale operation in Colorado, now made more significant by our recent agreement with Ashland Oil, Inc., to develop jointly a federal tract in Colorado. It is our view that the full potential of this energy source will not be realized on a national scale until the government accelerates the development of an effective land-leasing program. Your management has made specific recommendations to the government that would help bring about such a program while at the same time protecting the environment.

Capital expenditures in 1976 were $554 million, up $58 million over 1975. While senior funded debt increased moderately to $800 million, a reflection of the heavy investments to develop the British North Sea oil fields, we continue to have a strong liquid position.

At year-end 1976, net working capital amounted to $440 million, and unutilized long-term bank credits were $442 million. The financing of the heavy North Sea



Dr. Armand Hammer, left, Chairman of the Board and Chief Executive Officer; Joseph E. Baird, President and Chief Operating Officer.

Opposite page: (L to R), Robert J. Caverly, Executive Vice President for Operations; John J. Dorgan, Executive Vice President — Finance; Angelo Leparulo, Executive Vice President and President, Occidental International Engineering Company.

expenditures temporarily interrupted our progress toward the goal of a minimum 2-to-1 ratio of equity capital to senior funded debt, but we anticipate substantial progress toward this goal in 1977 as a result of the cash flow from the North Sea.

In 1977, our capital expenditures will increase to about $700 million. While oil and gas expenditures will be about the same as we near the end of development expenditures for the Piper and Claymore fields in the North Sea, coal expenditures will be higher due to a stepped-up level of spending on mines already under development. Chemical expenditures will also be higher due to spending for chlor-alkali capacity at Niagara Falls, New York, and to the beginning of significant expenditures in the United States for our Soviet fertilizer project.

Earnings and cash flow from the North Sea will enable Occidental to continue investigating new opportunities for natural resource investment. We see our main interest as being in the United States, and we will be looking with particular interest to the further development of our in-situ shale oil operation, the enhancement of our domestic coal reserves and chemical operations and an increase in domestic oil and gas reserves and production, barring adverse governmental action.

We are watching carefully the legislative proposals to subject the energy industry to what is called "horizontal divestiture." The purpose of certain of these proposals is to force oil companies to divest themselves of their interests in other forms of energy development. In view of our oil, coal, shale oil and geothermal interests, projects for coal gasification, conversion of waste into energy and development of a high-energy battery, our shareholders should be gravely concerned.

Over the past five years, $100 million has been spent by Occidental on alternate energy sources including $50 million to develop its proprietary oil shale process without any government assistance or subsidy. In addition, significant expenditures are planned for geothermal exploration and coal gasification research. Horizontal divestiture and the inevitable disruption it would cause would seriously impair and retard such expenditures which, with their high degree of risk and need for advanced technology, can best be undertaken by broadly-based and experienced energy companies like Occidental.

It is noteworthy that $38.4 million, approximately five per cent of our 1977 capital expenditure budget, will be required to comply with governmental policies relating to environmental and anti-pollution controls, worker safety and similar matters. These costs are over and above the approximately $650 million of direct taxes which Occidental provided in 1976. We favor the objectives many of these policies seek to serve, but we believe it is important that you, our shareholders, recognize the costs they entail.

Our insurance costs, for example, have skyrocketed from $10 million in 1971 to $60 million in 1976 partly due to providing for black lung insurance. Other costs are not so visible or so easily measured: those generated by the administrative effort required to comply with burgeoning government regulations, for example, and — perhaps more important — the costs of unjustified delays and opportunities lost imposed by bureaucratic regulatory agencies assuming legislative authority far beyond the limits intended by the legislative bodies that created them. These costs add nothing to our earnings or efficiency. Their principal effects are to penalize consumers through higher prices and shareholders through lower profits. We think it is time to identify these costs and determine the extent to which they are acceptable.

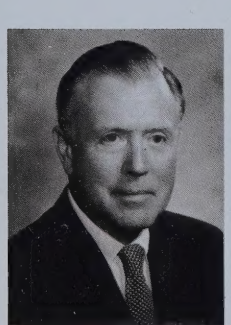
As we move into 1977 with a stronger earnings and asset base, we would like to thank our company's loyal employees for their fine effort in 1976. In particular, we want to recognize the technological and managerial achievement in bringing our Piper field in the North Sea to production in what is recognized to be the shortest time on record for that area and with what may be the lowest cost per barrel. This was a feat, notable in itself, that will be of great significance for the future of the corporation.

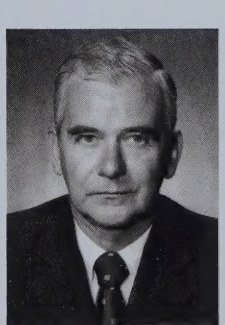
By order of the board of directors,

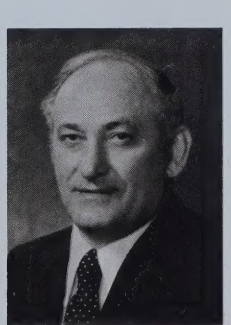
Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

March 31, 1977







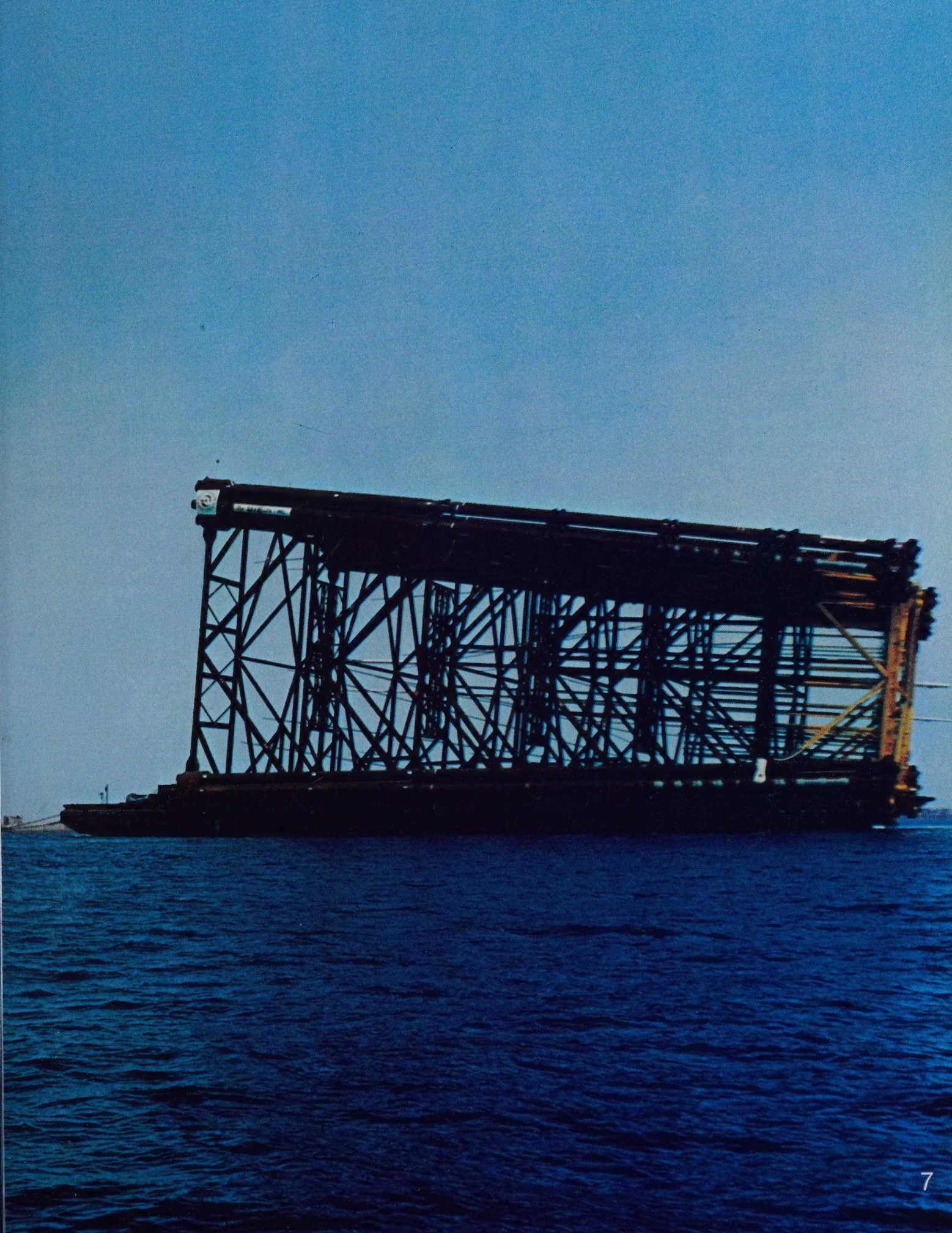
Oil and Gas Division/Financial Highlights

	1976	1975
Net sales	**$3,403,638,000**	$3,068,304,000
Net income	**$ 64,260,000**	$ 4,610,000
Financial position:		
Current assets	**$ 620,403,000**	$ 646,250,000
Current liabilities	**$ 431,583,000**	$ 389,543,000
Property, plant and equipment, net	**$1,291,323,000**	$ 996,229,000
Due from Occidental	**—**	$ 144,240,000
Total assets	**$1,923,406,000**	$1,806,570,000
Long-term debt	**$ 341,385,000**	$ 337,187,000
Notes and amounts due to Libyan government and its agencies	**$ 272,000,000**	$ 272,000,000
Division equity	**$ 796,128,000**	$ 749,432,000
Working capital provided from operations	**$ 148,580,000**	$ 148,742,000
Additions to property, plant and equipment	**$ 358,587,000**	$ 315,352,000
Research and development costs	**$ 1,097,000**	$ 1,927,000
Number of employees	**4,700**	4,400

The following review of operations and developments of the Oil and Gas Division should be read in conjunction with the Major Activities table on page 3 of this report and Management's Discussion and Analysis of the Seven Year Summary of Consolidated Operations on page 80.

Photograph: Claymore field platform jacket being towed to installation point in North Sea.



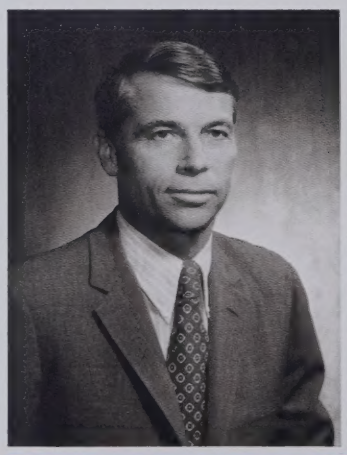


Oil and Gas Division

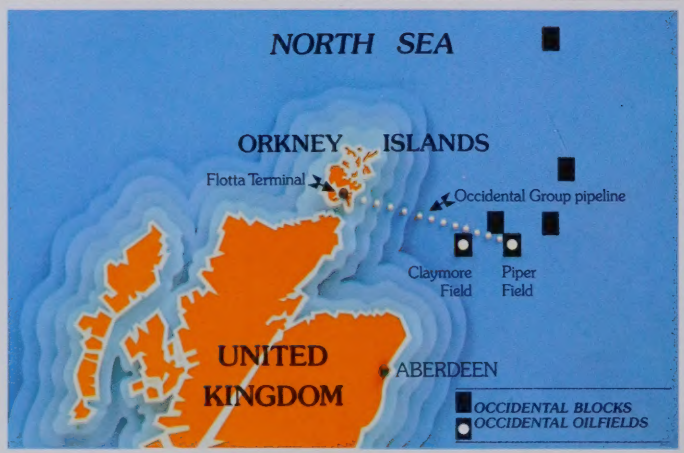
Oil from the Piper field in the British North Sea reached the new terminal on the island of Flotta in the Orkneys December 27, 1976. This marked the end of a year of intense effort by Occidental and the successful culmination of a four-year development program. Occidental is operator for a group of companies and has a 36.5 per cent interest in the two fields discovered so far, the Piper and the Claymore.

The Piper field lies 120 miles from the east coast of Scotland beneath 475 feet of the often stormy North Sea. Its development, at what may be the lowest cost per barrel in the North Sea, has involved the installation of a 34,000-ton steel drilling and production platform, a 130-mile under-sea pipeline and a processing, storage and shipping terminal situated onshore at Flotta Island. That such extensive facilities were brought into production within a period of just four years from the initial discovery under such formidable conditions is a record development performance in the North Sea.

Robert A. Teitsworth, left, Chairman, and Thomas D. Jenkins, President, Occidental Oil and Gas Corporation. Below, map highlights Occidental group's North Sea operations.







Piper Field Jacket Secured

The securing of the Piper field jacket structure to the seabed by drilled pilings was a complex task, not completed until July, 1976. This left only a short "weather window" in which to lift and secure all the prefabricated drilling equipment and accommodation modules. Helped by good weather, the critical lifts were completed in August, 1976. During this period, Occidental pioneered the use of semi-submersible drilling vessels for construction support.

The first Piper field production well, brought in December 7, 1976, was producing 32,000 barrels per day by year end, and by the end of February, 1977, the field was producing 120,000 barrels per day from four wells. Based on this excellent performance, it is estimated that the design field production rate of 250,000 barrels per day will be reached early in the second half of 1977. Occidental's 36.5 per cent share at this rate would be 91,000 barrels per day. The independent engineering firm of De Golyer and McNaughton has estimated that the Piper field holds proven recoverable reserves of 642 million barrels (234 million barrels net to Occidental).

The Flotta terminal was opened in January, 1977 by Dr. Armand Hammer and the Rt. Hon. Tony Benn, M.P., British Secretary of State for Energy. On that occasion, the first tanker to moor at the new terminal was loaded with 475,584 barrels of crude oil.

Claymore Field Development

The jacket structure for the Claymore field drilling and production platform was towed to its location in the North Sea about 20 miles west of the Piper field in June, 1976. Within one month, it was secured to the seabed and prepared to receive the four production modules which were lifted in August and September. One of these, at 2,475 tons, is believed to be the heaviest single offshore

Fabrication near Newcastle in United Kingdom of production module prior to its installation on Claymore field drilling and production platform positioned off coast of Scotland.



lift ever made. The smaller lifts were successfully completed by November.

Installation of drilling and production modules on the Claymore platform and the eight-mile pipeline to connect the field to the main Piper pipeline are nearing completion. Initial Claymore oil production is scheduled to begin early in the second half of 1977, increasing by late 1978 to approximately 170,000 barrels per day.

Following further evaluation, De Golyer and McNaughton has increased its estimate of proven recoverable Claymore reserves from 356 million barrels to 410 million barrels. Occidental's 36.5 per cent share of Claymore reserves and projected peak production are thus 150 million barrels and 62,000 barrels per day, respectively.

British Government Participation

In October, 1976, the British Department of Energy, the British National Oil Corporation (BNOC) and the Occidental group reached an understanding on the basic terms of an agreement for participation by BNOC in the Piper and Claymore fields. The agreement will provide for BNOC to become a party to the Piper and Claymore licenses and associated operating agreements and to have a voice in their operations.

Under the agreement, BNOC will have an option to purchase up to 51 per cent of the crude oil and natural gas liquids production available at prices in line with those prevailing in the international market. This agreement is not expected to have any adverse effect on the profitability of the Piper and Claymore fields.

New North Sea License Awarded

The United Kingdom Department of Energy tentatively awarded Block 14/18 to the Occidental group and the British National Oil Company in the fifth round of U.K. offshore licensing. This block, covering 53,621 acres, is immediately to the west of the Claymore field.

The award is subject to an operating agreement and a minimum exploration drilling program being worked out with the BNOC that will be acceptable to the Department of Energy.

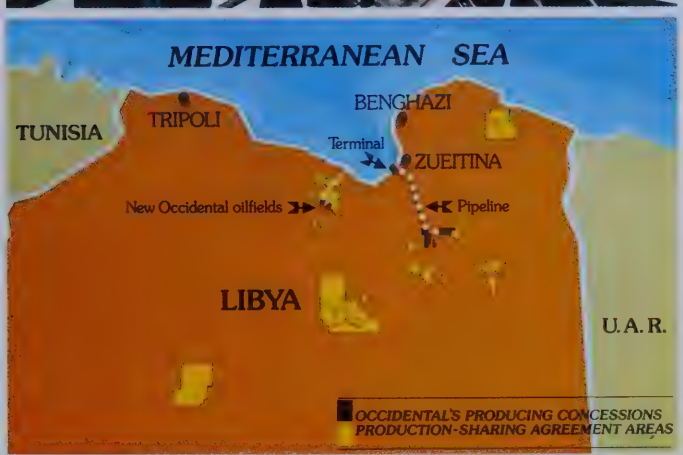
We expect Occidental's interest in fifth-round blocks will amount to 17.885 per cent, and that BNOC will take a 51 per cent share. It is possible that additional blocks may be awarded.

Libya Production and Exploration

During 1976, our concessions in Libya, in which we have a 49 per cent interest and the Libyan National Oil Corporation (NOC) has 51 per cent, produced 119 million barrels of oil and gas liquids for an average of 326,000 barrels per day compared with an average of 294,000 barrels per day in 1975. In addition, we produced two million barrels in 1976 under a production-sharing agreement with NOC.

Dr. Armand Hammer, second from right, and associates inspect Piper field platform in North Sea during construction phase. Below, map indicates Occidental's petroleum activities in Libya where company is drilling for new reserves and producing.





Occidental has stepped up drilling activities in Libya following recent discoveries made by the company in areas under production-sharing agreement with Libyan National Oil Company.





Two fields came on production shortly after mid-year and reached a total rate of 15,000 barrels of oil per day by the end of 1976. Under terms of the production-sharing agreement, we receive 19 per cent of this production net of Libyan royalties and taxes. Two seismic crews are operating in Libya to define drillable prospects and additional exploratory wells are scheduled for 1977.

During the year, Oxylibya began a program to improve and expand facilities for the production of gas liquids. The new facilities are designed to increase recovery by approximately 13,000 barrels per day beginning late in 1977.

Operations in Peru

Development of Occidental's seven Peruvian oil fields proceeded according to plan in preparation for the completion of a spur pipeline from the trans-Andean pipeline to Occidental's fields. Occidental will pay a minimum annual tariff of about $21.8 million for use of the pipeline system and the terminal on the Pacific coast.

The 161-mile northern branch spur pipeline is scheduled for completion by mid-1978 and will permit full production of Occidental's oil fields. Total production from these fields is expected to reach 80,000 barrels per day, of which Occidental is entitled to 50 per cent free of taxes and royalties.

In the interim, we are producing oil into a small pipeline and river barge system for transportation and sale to buyers in eastern Peru. Gross production through this system averaged 8,000 barrels per day in 1976. Barging capacity is currently being expanded to 15,000 barrels per day.

Discovery in Bolivia

Occidental has a 2.5 million-acre contract area in Bolivia. In March, 1976, the first exploratory well, Tita No. 1, discovered natural gas and condensate and was tested at a rate of 11.1 million cubic feet of gas per day and 816 barrels of condensate per day. Four subsequent appraisal wells also found gas and condensate.

Occidental is currently holding discussions with YPFB, the Bolivian state oil company, concerning terms for transportation and marketing of potential production from the Tita field. Occidental is entitled to 50 per cent of the oil produced from the contract area and is entitled to any gas produced on a sliding scale from 50 to 47 per cent, depending on the rate of production.

Trinidad Gas Well Tested

Occidental holds a 40 per cent interest in four blocks in the north coast marine area of Trinidad on which an offshore gas discovery was made in 1975.

Opposite page: Burros inspect construction by Petroperu of 36-inch pipeline across Andes Mountains in Peru. Occidental's oil production from the Amazon jungle will flow through this pipeline to Pacific coast port. Below, map of company's oil operations in north-central Peru.



Appraisal well, drilled by Occidental to evaluate 1976 gas and condensate discovery in Bolivia, shown during test.



In November, 1976, a follow-up well four miles from the discovery tested about 30 million cubic feet of gas per day from the main zone and nine million cubic feet per day from a lower zone. Studies are currently being made to assess whether this gas accumulation has commercial significance.

Colombia Exploration Under Way

Technical and economic evaluation carried out during 1976 in the Middle Magdalena Valley of Colombia resulted in the signing in February, 1977 of two petroleum exploration and exploitation contracts between Ecopetrol, the Colombian state oil company, and our wholly-owned subsidiary, Occidental de Colombia, Inc.

One contract area covers approximately 238,098 acres in the Sogamosa area, and the second covers approximately 425,892 acres in the San Fernando area. Seismic crews have already begun exploration work in the contract areas.

Semi-submersible drilling rig at work in Pacific Ocean following oil discovery participated in by Occidental off the southern California coast near Los Angeles Harbor.



Domestic Exploration and Development

In 1976, Occidental continued its high level of exploration and development activity in the offshore Gulf Coast. Drilling was also started on the southern California federal offshore tracts won in the December, 1975 lease sale. The first exploratory well made a discovery. Four delineation wells have since been drilled to assess the size and commerciality of this discovery. The oil is at relatively shallow depths and is a low-gravity type which may require specialized producing techniques normally associated with heavy oil production in California.

During the year, the company paid approximately $26 million for 12 federal and state tracts totaling 48,100 gross and 17,118 net acres. Occidental now holds various interests which range from less than one per cent up to 100 per cent in a total of 61 federal and state tracts offshore Texas and Louisiana, five offshore California and two in the Gulf of Alaska.

Exploratory wells have been drilled on all but 16 of the Gulf Coast tracts resulting in 29 commercial discoveries, 22 incompletely evaluated tracts and 10 barren tracts. Production platforms have been set on 13 of the Gulf Coast blocks.

Geothermal Properties Purchased

In April, 1976, Occidental purchased prospective geothermal properties covering approximately 728,000 gross acres (650,000 net) in Idaho, and we expect to start exploratory drilling during 1977.

In addition, Occidental holds 13,911 net acres of undeveloped geothermal properties and 134 net productive acres in The Geysers area of northern California where the nation's only existing commercial geothermal energy plants are located. Occidental now holds an important acreage position in this environmentally acceptable and growing primary energy source.

Maintenance of gas processing facilities is never-ending task at company's Lathrop field in northern California.



International Oil Marketing, Refining and Transportation

During 1976, Occidental's refinery in Antwerp, Belgium, operated at an average rate of 25,400 barrels per day compared to its rated capacity of 100,000 barrels per day.

Operations in 1976 continued intermittently because bulk refined product prices were depressed in the northwest European market and were seldom adequate to cover the delivered cost of crude oil plus the cost of refining, resulting in an operating loss. Whenever possible, the refinery processed crude for others, and these arrangements accounted for approximately one-third of the year's throughput (7,500 barrels per day).

Occidental's Canvey Island refinery project in the United Kingdom near London remained suspended throughout the year. Our economic and engineering studies on alternative manufacturing configurations to best utilize this prime location have been completed, and we expect later this year to make a final decision on whether to proceed with construction.

Heaters and stacks of catalytic reforming unit at company's RBP refinery in Antwerp, Belgium. Unit improves octane quality for production of material used in gasoline. Below, left to right, Robert S. MacAlister, President, Occidental International Oil, Inc.; Charles C. Horace and Richard H. Vaughan, vice presidents, Occidental Petroleum Corporation. Horace manages oil and gas drilling and production; Vaughan, worldwide exploration.





Marine Transport Operations

During 1976, the world tanker market continued to suffer from excess capacity, particularly in the case of vessels known as very large crude carriers (VLCCs). Although worldwide demand for energy showed signs of recovery from the slack of the previous two years, the overcapacity can be expected to continue through 1977.

The continuation of depressed world freight rates during 1976 caused Occidental's marine operations to sustain losses primarily due to two VLCCs and a third large tanker. The remainder of Occidental's 1976 tanker fleet, comprising 13 vessels including Occidental's three owned vessels, operated at a profit.

The Permian Corporation

Occidental's domestic crude oil marketing and transportation subsidiary, The Permian Corporation, continued in 1976 as the nation's largest independent domestic crude oil marketer. Crude volumes handled were maintained at 1975 levels even though total production in its 18-state area of operation declined by about three per cent.

Permian's fleet of 451 truck transports traveled more than 40 million miles in 1976, an increase of 7.3 per cent over the previous year. Trucked volumes of oil field service liquids such as water, brine, frac oil and disposal water were up 5.7 per cent to 75,000 barrels per day, while crude oil transported by truck increased by 6.4 per cent to an average of 216,000 barrels per day.

Permian's 5,366 miles of crude oil pipelines handled 186,000 barrels per day during the year.

Increase in Trucked Barrels

Declining crude production in old fields and the discovery of many small fields where gathering pipelines are not feasible has resulted in an increase in trucked barrels over the past two years while pipeline barrels have decreased.

One of The Permian Corporation's many radio-equipped trucks leaving Midland, Texas, terminal to pick up load of crude in oil field for delivery into Permian pipeline system.





While Permian has continued to perform well during the past year, profitability was down from 1975 due to a number of factors associated with this segment of the oil industry.

Occidental Minerals Corporation

Your company's mineral division, Occidental Minerals Corporation (Oxymin), continues its exploration and development program for base and precious metals and for uranium in the United States and Australia.

At our Cerrillos, New Mexico, copper property, preparations have started for a pilot test including in-place fragmentation and leaching of a small test block. The test results will be evaluated to determine the feasibility of commercial development.

At the Miami, Arizona, site, Oxymin has begun preparations for a test of an in-situ copper solution mining process. Oxymin's Miami property holdings cover 10,600 acres of mining claims, leases and options.

Occidental Oil Shale, Inc.

Significant progress was made during 1976 toward Occidental's goal of attaining an economic and environmentally acceptable method of unlocking this nation's vast reserves of shale oil through application of its proprietary modified in-situ oil recovery process.

This process, for which nine patents have been granted and 37 additional patent applications are pending, recovers shale oil by heating rubblized or fragmented oil shale in partially-mined underground retorts.

First Large Retort Tested

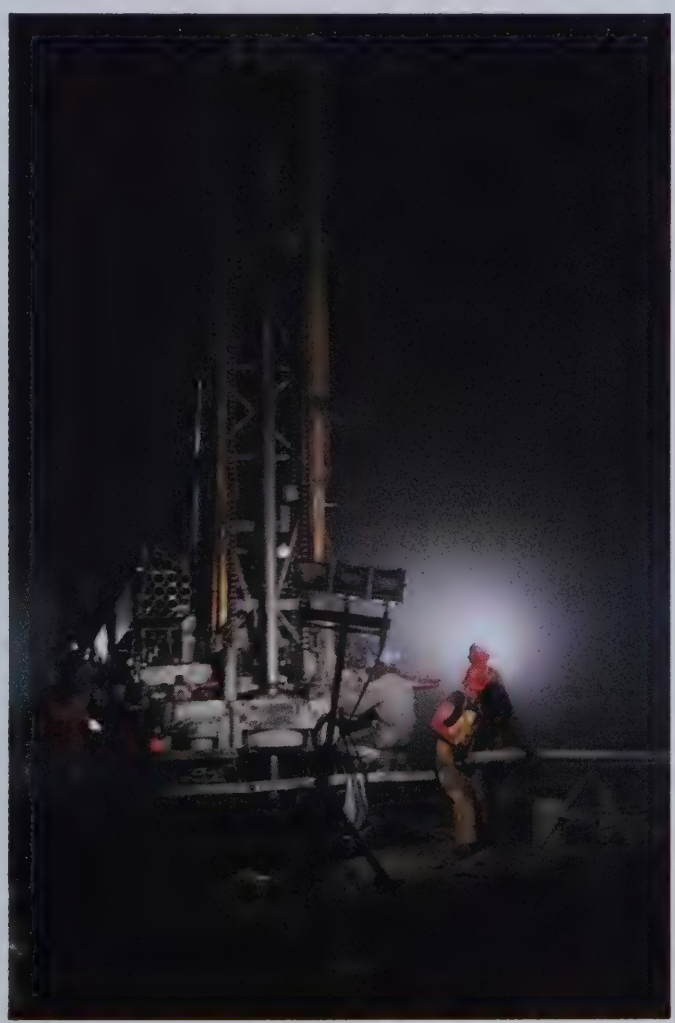
During the first half of the year, the company completed the burning of its first large retort at the Logan Wash site in the Piceance Creek Basin of Colorado which produced approximately 30,000 barrels of shale oil. A second large retort, using new mining and blasting techniques, has been prepared for firing in April, 1977.

Oil Shale Agreement Concluded

Occidental has concluded an agreement with Ashland Oil, Inc., to acquire a 50 per cent interest in, and to develop jointly, a 5,090-acre federal oil shale lease in Colorado known as the C-b tract. Occidental will operate the venture and apply its in-situ recovery process to these high-grade shale oil reserves.

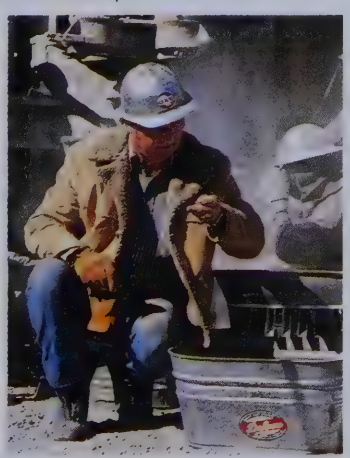
In November, 1976, a joint study by the Federal Energy Administration, the Department of the Interior and the Energy Research and Development Administration reported that "Occidental Petroleum Corporation has developed the modified in-situ process that offers potential economic and environmental advantages over conventional techniques."

Underground drilling at company's oil shale mine in Colorado where oil is produced in below-surface retorts with utilization of modified Occidental in-situ process.



Opposite page: Occidental rig drilling at sunset in Libyan desert. Below, Paul A. Bailly, President, Occidental Minerals Corporation. Right, rotary drill cuttings are passed through sample splitter at Oxymin copper project in New Mexico for the purpose of obtaining small representative samples.

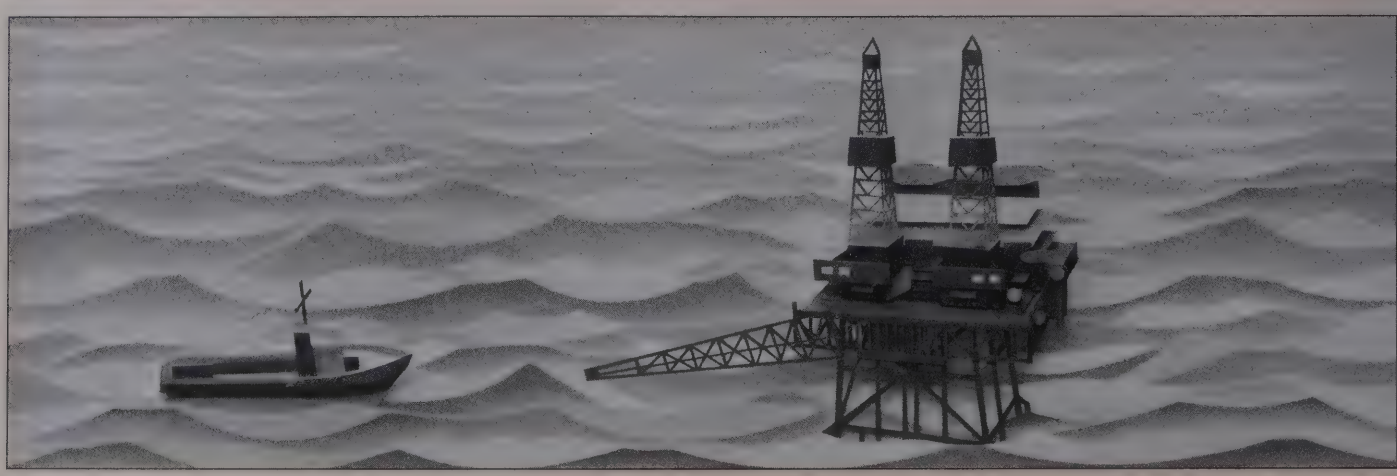




Oil and Gas Division
Financial Statements and Operating Statistics

The financial statements of the Oil and Gas Division are included in the consolidated financial statements of Occidental Petroleum Corporation and consolidated subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our oil and gas activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of divisional net income to consolidated net income.

The report of independent public accountants on page 75 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 61 to 74). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.



Oil and Gas Division/Statements of Operations

For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
REVENUES:		
Net sales	**$3,403,638**	$3,068,304
Interest and other income	**25,649**	60,007
	3,429,287	3,128,311
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**2,773,788**	2,637,045
Selling, general and administrative and other operating expenses	**77,787**	79,628
Provision for domestic and foreign income, franchise and other taxes	**496,136**	358,929
Interest and debt expense	**39,681**	61,824
Less interest capitalized	**(22,365)**	(13,725)
	3,365,027	3,123,701
NET INCOME	**$ 64,260**	$ 4,610

Oil and Gas Division/Balance Sheets

December 31, 1976 and 1975

(amounts in thousands)

	1976	1975
Assets		
CURRENT ASSETS:		
Cash	$ 98,497	$ 263,511
Receivables, net of reserve	428,109	272,323
Inventories, at cost	88,252	104,995
Prepaid expenses	5,545	5,421
Total current assets	620,403	646,250
DUE FROM OCCIDENTAL	—	144,240
LONG-TERM RECEIVABLES, net of reserve	2,423	2,054
INVESTMENTS IN AND ADVANCES TO (FROM) UNCONSOLIDATED SUBSIDIARIES	(52)	867
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $533,117 in 1976 and $479,100 in 1975	1,291,323	996,229
OTHER ASSETS, less amortization	9,309	16,930
	$1,923,406	$1,806,570
Liabilities		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	$ 58,052	$ 59,804
Accounts payable and accrued liabilities	366,552	324,613
Domestic and foreign income, franchise and other taxes	6,979	5,126
Total current liabilities	431,583	389,543
LONG-TERM DEBT, net of current maturities	341,385	337,187
NOTES AND AMOUNTS DUE TO LIBYAN GOVERNMENT AND ITS AGENCIES	272,000	272,000
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred domestic and foreign income taxes	30,573	27,922
Other	51,737	30,486
	82,310	58,408
DIVISION EQUITY	796,128	749,432
	$1,923,406	$1,806,570

Oil and Gas Division/Statements of Changes in Financial Position

For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 64,260	$ 4,610
Add (deduct) — Items not using (providing) working capital —		
Depreciation, depletion and amortization	68,375	80,242
Write-off of Venezuelan and Nigerian operations	—	60,878
Deferred tax provision	(1,882)	(1,279)
Other, net	17,827	4,291
Working capital provided from operations	148,580	148,742
Proceeds from —		
Notes and amounts due to Libyan government and its agencies	—	272,000
Long-term borrowings	124,501	149,102
Prepaid revenues	—	1,820
Disposal of assets	7,503	1,702
Increase in working capital resulting from dividend of subsidiaries to Occidental	36,578	—
Collection of long-term receivables	1,804	1,470
Investments and advances	919	(977)
Capital contribution from Occidental, net	33,888	73,105
Other, net	6,875	(9,364)
	360,648	637,600
USE OF FUNDS:		
Additions to property, plant and equipment	358,587	315,352
Reduction of long-term debt	40,524	10,135
Additions to long-term receivables	2,176	1,871
Additions to other assets	6,168	3,416
Advances to affiliates	21,080	153,046
Reduction of working capital resulting from contribution of subsidiaries by Occidental	—	50,013
	428,535	533,833
INCREASE (DECREASE) IN WORKING CAPITAL	$ (67,887)	$103,767
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$ (165,014)	$179,761
Receivables and prepaid expenses	155,910	(164,386)
Inventories	(16,743)	40,630
	(25,847)	56,005
Current liabilities —		
Notes payable and current maturities of long-term debt	1,752	(34,241)
Accounts payable and accrued liabilities	(41,939)	26,966
Domestic and foreign income, franchise and other taxes	(1,853)	55,037
	(42,040)	47,762
INCREASE (DECREASE) IN WORKING CAPITAL	$ (67,887)	$103,767

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
PRODUCTION:					
Crude oil (thousands of barrels per day) —					
U.S.	7	7	8	10	10
Libya:					
Produced for our account	152	135	158	242	423
Produced for Libyan government	162	141	164	112	—
Peru	4	—	—	—	—
United Kingdom	1	—	—	—	—
Natural gas liquids (thousands of barrels per day) —					
Libya:					
Produced for our account	9	8	8	16	19
Produced for Libyan government	10	9	9	5	—
Natural gas (MMCF per day) —					
U.S.	49	49	55	66	64
Number of wells in production —					
U.S.	322	310.8	322.8	325.4	332.6
Libya	62	54	58	46	51
Peru	16	13	—	—	—
United Kingdom	1	—	—	—	—
SALES BY PRODUCTS (Revenue):					
United States —					
Natural gas	$ 15,345	$ 9,734	$ 7,325	$ 6,904	$ 6,674
Crude oil	1,429,349	1,509,390	1,360,907	678,644	556,153
Frac oil	10,451	13,480	12,065	4,620	4,082
Refined products	—	15,253	60,569	2,991	617
Latin America —					
Crude oil	17,371	5,984	—	—	—
Europe[1] —					
Crude oil	1,519,983	1,046,061	1,480,485	530,952	532,812
LPG	56,930	48,076	4,138	14,835	6,012
Gasoline	72,860	79,801	215,120	112,071	68,374
Middle distillates	41,425	46,126	130,351	151,783	79,768
Fuel oil	35,256	42,613	86,073	88,039	41,870
Asphalt	16,294	15,873	28,139	30,855	23,616
SALES BY PRODUCTS (volume per day):					
United States —					
Natural gas (MMCF)	49	50	55	63	64
Crude oil (thousands of barrels)	415	436	451	434	438
Frac oil (thousands of barrels)	2	3	3	3	3
LPG (thousands of barrels)	—	1	1	1	1
Europe (thousands of barrels)[1] —					
Crude oil	331	254	308	402	571
LPG	8	10	1	8	5
Gasoline	13	9	37	34	34
Middle distillates	7	10	23	54	55
Fuel oil	9	12	21	47	38
Asphalt	3	3	7	13	12
Latin America (thousands of barrels) —					
Crude oil	4	—	—	—	—

(1) 1976 and 1975 sales figures for some products are lower than previous years reflecting the sale of the European retail marketing operations in December, 1974.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
NUMBER OF EMPLOYEES:					
Exploration and production	**2,547**	2,379	1,934	1,476	1,406
Refining	**344**	348	678	621	655
Marketing and administrative	**1,838**	1,663	3,100	3,027	3,008
TRANSPORTATION:					
Marine vessels in service at end of year —					
Number of vessels:					
Owned	**3**	3	3	3	3
Chartered	**10**	15	19	29	36
Tonnage (long tons):					
Owned	**200,000**	200,000	200,000	200,000	200,000
Chartered	**1,189,000**	1,351,000	1,475,000	2,000,000	2,075,000
Volumes transported (long tons):					
For Occidental:					
Crude oil	**4,050,000**	2,201,000	1,206,000	6,408,000	4,874,000
Refined products	**80,000**	84,000	357,000	1,323,000	1,982,000
For others:					
Crude oil	**4,776,000**	6,860,000	8,952,000	8,487,000	13,967,000
Refined products	**752,000**	714,000	1,566,000	1,350,000	1,098,000
Iron ore, coal, other	**1,390,000**	1,830,000	1,716,000	1,384,000	1,253,000
PIPELINES AND TRUCKING —					
UNITED STATES:					
Pipeline gathering systems (miles)	**5,366**	4,956	4,987	4,983	4,882
Number of trucks utilized	**451**	440	440	436	410
Barrels handled per day	**540,000**	574,000	538,000	554,000	505,000

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
			(amounts in thousands)		
CAPITAL EXPENDITURES:					
Western Hemisphere —					
United States —					
Exploration:					
Leasehold costs	**$ 29,023**	$ 24,246	$ 20,839	$ 1,350	$ 1,409
Geophysical costs	**3,158**	2,374	900	832	509
Drilling costs	**6,997**	7,052	1,798	478	804
Development:					
Leasehold costs	**3,991**	228	2,292	68	474
Drilling costs	**2,884**	1,683	1,294	2,861	6,898
Production facilities	**2,701**	744	1,508	1,299	1,725
Other:					
Oil shale[1]	**11,814**	19,128	2,208	—	—
General property	**8,428**	7,359	7,564	3,905	3,157
Capitalized general and administrative expense	**2,277**	954	861	1,030	924
Geothermal	**1,713**	331	450	—	—
Other Western Hemisphere —					
Exploration:					
Leasehold costs	**70**	83	6,334	2,088	149
Geophysical costs	**943**	90	5,192	5,906	6,597
Drilling costs	**9,436**	9,725	29,341	25,151	18,399
Development:					
Drilling costs	**22,594**	6,332	2,865	140	—
Production facilities	**10,045**	6,036	9,375	299	—
Other	**11,092**	12,141	11,186	6,099	5,307
Eastern Hemisphere —					
Exploration:					
Leasehold costs	**—**	—	19	49	98
Geophysical costs	**12,764**	8,961	6,249	401	236
Drilling costs	**8,595**	21,750	9,288	10,945	14,030
Development:					
Drilling costs	**5,573**	5,984	3,898	65	2,254
Production facilities	**195,171**	106,215	72,812	20,089	11,544
Refineries	**6,238**	44,367	50,056	13,180	2,298
Other	**3,080**	29,569	20,438	12,561	6,503
Total	**$358,587**	$315,352	$266,767	$108,796	$83,315

(1) Does not include capital expenditures of $5,518 incurred prior to the transfer of this project to the Oil and Gas Division.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
DRILLING ACTIVITY:					
Number of wells completed, net —					
Western Hemisphere —					
United States:					
Oil	**1.6**	6.2	0.7	4.0	13.0
Gas	**1.9**	2.1	4.1	—	2.0
Dry	**3.7**	3.5	0.9	1.0	2.5
Steam	**—**	0.6	—	—	—
Other Western Hemisphere:					
Oil	**12.0**	5.0	9.0	6.0	1.0
Gas	**—**	—	—	—	—
Dry	**—**	3.0	1.4	4.0	3.0
Eastern Hemisphere —					
Oil	**2.2**	5.6	18.7	2.8	4.0
Gas	**—**	—	—	—	—
Dry	**1.3**	9.0	—	3.7	5.1
Injection Wells	**—**	—	—	—	3.7
NET RESERVES:					
UNITED STATES* —					
Oil (thousands of barrels)	**12,719**	11,591	13,866	15,903	16,003
Natural gas (MMCF)	**156,183**	142,159	162,931	170,404	258,876
FOREIGN (before royalties)* —					
Oil (thousands of barrels):					
Libya	**682,223**	752,000	747,000	780,000	1,729,000
U.K. — North Sea	**384,000**	364,000	364,000	234,000	—
Peru	**63,139**	73,000	72,000	72,000	15,000
Venezuela	**—**	—	20,000	—	—
Nigeria	**—**	—	19,000	—	—
Natural gas liquids (thousands of barrels):					
Libya	**102,950**	71,050	74,108	77,084	165,040
U.K. — North Sea	**6,389**	6,389	6,389	4,707	—
Gas (MMCF):					
Libya	**983,270**	954,000	916,000	861,000	1,694,000
U.K. — North Sea	**105,000**	101,000	101,000	82,000	—
Nigeria	**—**	—	146,000	—	—
Peru	**16,373**	16,000	16,000	16,000	8,000

*The foreign reserve estimates, except for natural gas liquids, were provided by a consulting firm of independent petroleum engineers and geologists. The United States and foreign natural gas liquids reserves represent estimates by Occidental engineers.

Oil and Gas Division/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
REFINERY RUNS OF CRUDE OIL: (barrels per day)					
For Occidental — Capacity					
Belgium 100,000	**17,839**	27,400	28,000	84,300	89,000
Germany 20,000	(1)	(1)	13,000	14,600	8,300
For others —					
Belgium	**7,566**	14,100	21,000	8,800	—
Germany	(1)	(1)	1,000	900	800
INVENTORY QUANTITIES AT YEAR END: (thousands of barrels)					
Crude oil —					
U.S.	**1,874**	1,816	1,991	2,494	1,901
Belgium	**835**	638	1,900	3,555	3,233
Germany	**—**	—	—	1,141	82
Libya	**580**	778	1,244	161	1,866
Peru	**34**	99	—	—	—
United Kingdom	**238**	—	—	—	—
Refined products —					
U.S.	**—**	14	95	71	—
Belgium	**993**	3,184	1,913	2,377	3,171
Germany	**—**	—	332	1,311	1,328
United Kingdom	**—**	—	—	1,034	722
Italy	**—**	—	63	404	445
Libya	**227**	257	41	244	568
NET PRODUCING AND UNDEVELOPED ACREAGE HELD IN FEE OR UNDER LEASE OPTIONS, RESERVATIONS, ETC.:					
Location[2]					
United States					
Oil	**130,401**	235,714	126,171	174,000	290,000
Geothermal	**663,323**	2,742	885	—	—
United Kingdom — North Sea	**115,382**	115,382	115,382	115,382	115,382
Nigeria	**—**	—	86,303	347,610	347,610
Libya[3]	**12,961,201**	12,869,000	12,862,000	638,104	638,241
Peru[3]	**2,882,955**	2,882,955	2,882,955	2,882,955	2,882,955
Venezuela	**—**	—	247,100	370,650	370,650
Bolivia[3]	**2,495,710**	2,495,710	2,495,710	2,495,710	—
Trinidad and Tobago	**66,336**	331,680	331,680	331,680	331,680
Honduras	**—**	—	739,913	882,452	841,727
Nicaragua	**277,188**	277,188	223,626	223,626	223,626

(1) Facility sold in December, 1974.

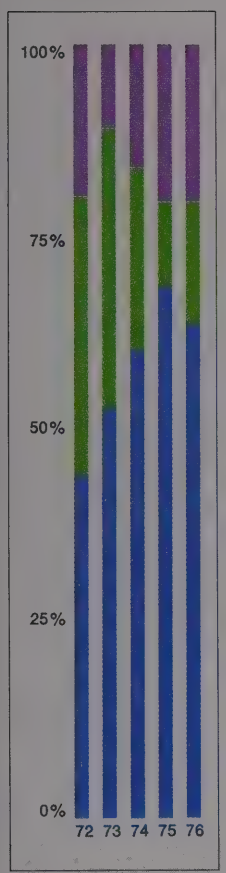
(2) The company also has a disputed claim to exploratory rights in an area offshore the United Arab Emirates (Trucial States) where other companies have begun commercial production.

(3) Subject to production-sharing agreements with state-owned oil companies.

Oil and Gas Division/Statistical Highlights

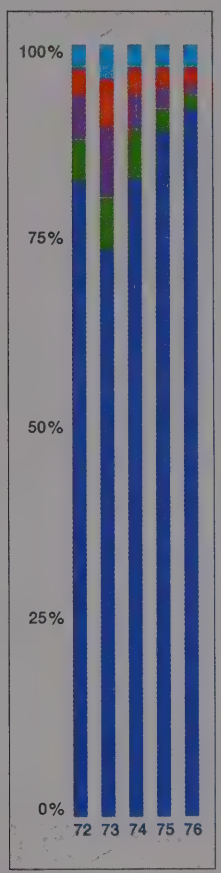
For the five years ended December 31, 1976

Capital Expenditures
(by location)



- United States
- Other Western Hemisphere
- Eastern Hemisphere

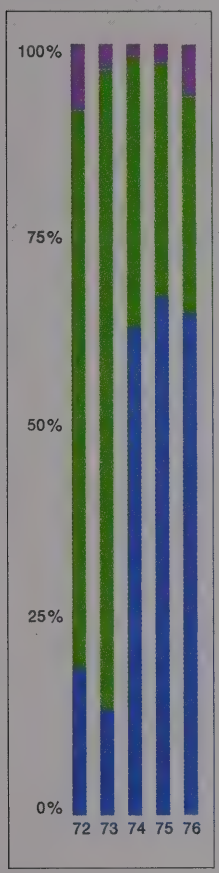
Sales Revenues
(by product)



- Other*
- Fuel Oil
- Middle Distillates
- Gasoline
- Crude Oil

*Other includes natural gas, LPG, asphalt, frac oil and other.

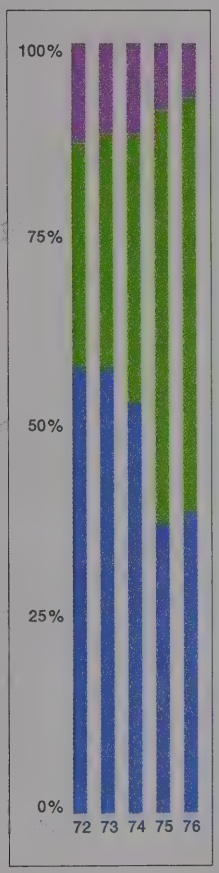
Net Producing and Undeveloped Acreage*
(by location)



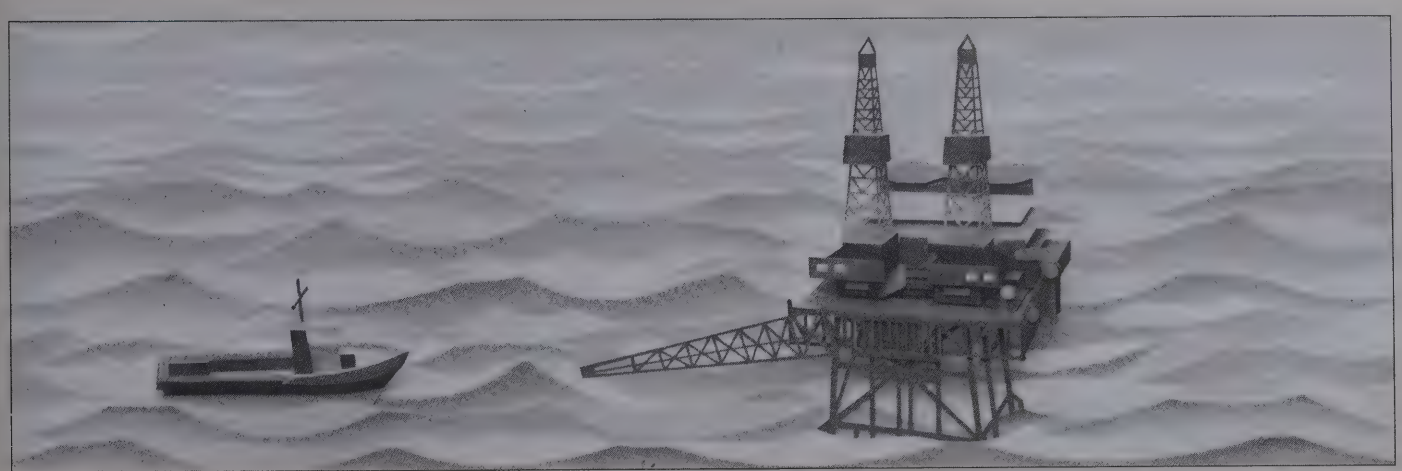
- United States and United Kingdom
- Latin America
- Africa

*Held in fee, lease options, reservations

Number of Employees
(by operation)



- Refining
- Exploration and Production
- Marketing



Island Creek Coal Division/Financial Highlights

	1976	1975
Net sales	$559,837,000	$658,780,000
Net income	$ 97,904,000	$130,637,000
Financial position:		
Current assets	$140,384,000	$138,003,000
Current liabilities	$ 77,058,000	$ 77,762,000
Due from Occidental	$ 85,332,000	$ 80,077,000
Property, plant and equipment, net	$415,477,000	$330,897,000
Total assets	$675,494,000	$583,104,000
Long-term debt	$ 28,649,000	$ 31,810,000
Division equity	$325,743,000	$255,289,000
Working capital provided from operations	$111,191,000	$166,515,000
Additions to property, plant and equipment	$108,087,000	$ 69,754,000
Research and development costs	$ 235,000	$ 1,067,000
Number of employees	8,700	8,800

The following review of operations and developments of the Island Creek Coal Division should be read in conjunction with the Major Activities table on page 3 of this report and Management's Discussion and Analysis of the Seven Year Summary of Consolidated Operations on page 80.

Photograph: View of Pevler mine, major Island Creek Coal Division facility in eastern Kentucky.





Island Creek Coal Division

For the year 1976, net income of our Island Creek Coal Division totaled $97.9 million, 25 per cent below the $130.6 million earned in 1975. Net sales (excluding intercompany sales) were also below 1975 levels—$558.2 million in 1976 compared with $657.1 million in 1975.

Throughout 1976, with the steel industry operating at 80 per cent of capacity and industry in general running below normal, the United States coal market was characterized by surpluses — surplus inventories at both the consumer and producer levels and surplus coal productive capacity. The consequence of these conditions was declining spot coal prices, especially for the lower-quality steam and metallurgical grades.

The Island Creek Coal Division's sales and production tonnage were adversely affected by these conditions. However, the impact on earnings was cushioned by the fact that Island Creek had long-term contracts covering a major portion of its production of both steam and metallurgical coal.

Report on Production

Production was further reduced by a three-week wildcat strike in mid-1976. As a result of this strike and the marketing factors described above, production in 1976 was 17.6 million tons (approximately 75 per cent of capacity) as compared to 19.4 million tons in 1975.

Toward the end of 1976, there were signs that prices on low-sulphur steam coals were firming slightly for the first time in nearly 18 months. We are hopeful that further economic recovery will improve the market in 1977.

Supply and Demand

United States production of steam and metallurgical coal totaled 665 million tons in 1976, three per cent above 1975 production. Domestic consumption and exports increased five per cent to 657 million tons. This oversupply of eight million tons was considerably less than in 1975, but substantial unused capacity continues to exist and retard the recovery of prices.

In 1977, the industry expects domestic use and exports to reach 700 million tons, but production may be affected by union elections in June and the fact that the union contract expires in December. Current coal inventory levels should be adequate to cover a moderate shortfall in supply, but extended work stoppages during the year could result in temporary shortages in certain areas of the country.

Steady Growth Expected

The longer-term outlook for coal is for steady growth in the market for each of the four major segments — utility, industrial, steel-making and export.

Albert Gore, left, Chairman of the Board; Stonie Barker, Jr., President, Island Creek Coal Division.



Unit-train loading is major method utilized by Island Creek to transport coal from its mines to market. A unit train is composed of 100 rail gondolas with each car carrying 100 tons of coal.



Coal's share of the important electric utility market could be further enhanced by greater utilization of coal in power plants that are currently using oil or natural gas.

The coal industry has the ability to expand to meet the expected and potentially larger demands for coal, and we are confident that coal will play an increasingly important role in this nation's economic and energy goals.

Expansion Program Under Way

In response to this forecasted growth, Island Creek is engaged in a major expansion program. Five new underground mines and one surface mine together with associated preparation plants are under construction. Two of the underground projects are in Kentucky, one is in West Virginia and two are in Virginia. The surface mine is in West Virginia.

Four of these new mines will produce metallurgical-grade coal, while two will produce both metallurgical and steam-grade coals. The ultimate combined capacity of these new mines will be approximately nine million tons per year. Limited production from all but one mine is expected during 1977.

In addition to these six projects, other new mines and expansions of existing plants are in the planning stage which would add up to ten million tons of annual capacity.

Increase in Capital Expenditures

Capital expenditures for construction of the new projects (including expenditures reimbursable through lease financings) as well as the maintenance of our existing mines and plants totaled about $125 million in 1976, 80 per cent more than the 1975 expenditures.

We are projecting capital expenditures of approximately $140 million in 1977 including a substantial amount for the acquisition of new reserves to add to our present 3.4 billion tons of recoverable coal reserves. We expect that we will increase our coal reserves substantially in the United States.

New Department Established

A new human resources department was created within Island Creek during 1976 with the purpose of combining the training, communications and recreational activities of the division.

Island Creek's commitment to training and safety is a continuing process which the division's management considers to be of major importance, and its safety record continues to be among the best in the coal-mining industry.

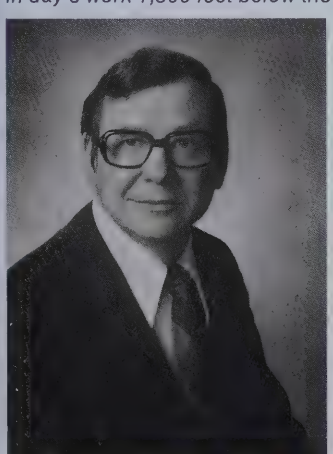
Island Creek, with a total of approximately 8,700 employees, is one of the principal employers in many of the areas in which the division operates.

Raw coal will be processed to remove impurities, washed, dried and loaded into rail cars for delivery when this Island Creek preparation plant in Virginia, shown under construction, is completed. Below, operator replaces dull and broken carbide tip bits with new ones on continuous mining machine used to rapidly claw out seams of coal in company's Hamilton No. 2 mine in Kentucky.





R. L. Dulaney, Executive Vice President—Operations, Island Creek Coal Division. Right, coal miners leave elevator at Virginia Pocahontas No. 2 mine after putting in day's work 1,300 feet below the surface.





Island Creek Coal Division
Financial Statements and Operating Statistics

The financial statements of the Island Creek Coal Division are included in the consolidated financial statements of Occidental Petroleum Corporation and consolidated subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our coal activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of division net income to consolidated net income.

The report of independent public accountants on page 75 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 61 to 74). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.



Island Creek Coal Division/Statements of Operations

For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
REVENUES:		
Net sales	**$559,837**	$658,780
Interest and other income	**42,937**	36,755
	602,774	695,535
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**452,383**	475,109
Selling, general and administrative and other operating expenses	**13,897**	17,620
Provision for income taxes	**26,921**	64,287
Interest and debt expense	**15,832**	10,094
Less interest capitalized	**(4,163)**	(2,212)
	504,870	564,898
NET INCOME	**$ 97,904**	$130,637

Island Creek Coal Division/Balance Sheets

December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
Assets		
CURRENT ASSETS:		
Cash	**$ 28,832**	$ 15,466
Receivables, net of reserve	**80,937**	103,427
Inventories, at cost	**28,184**	16,769
Prepaid expenses	**2,431**	2,341
Total current assets	**140,384**	138,003
DUE FROM OCCIDENTAL	**85,332**	80,077
LONG-TERM RECEIVABLES	**8,326**	10,953
INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES	**9,009**	9,104
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $210,723 in 1976 and $200,069 in 1975	**415,477**	330,897
OTHER ASSETS	**16,966**	14,070
	$675,494	$583,104
Liabilities		
CURRENT LIABILITIES:		
Current maturities of long-term debt	**$ 3,229**	$ 3,466
Accounts payable, accrued liabilities and other payables	**73,829**	74,296
Total current liabilities	**77,058**	77,762
LONG-TERM DEBT, net of current maturities	**28,649**	31,810
DEFERRED CREDITS AND OTHER LIABILITIES:		
Revenue on sale of future production	**114,795**	122,567
Workers' compensation reserves, net of current portion	**54,985**	44,789
Deferred income taxes	**46,841**	49,034
Other	**196**	1,853
	216,817	218,243
MINORITY EQUITY IN SUBSIDIARIES AND PARTNERSHIPS	**27,227**	—
DIVISION EQUITY	**325,743**	255,289
	$675,494	$583,104

Island Creek Coal Division/Statement of Changes in Financial Position

For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 97,904	$130,637
Add (deduct) — Items not using (providing) working capital —		
Depreciation, depletion and amortization	22,024	20,633
Provision for workers' compensation reserves, net	10,196	20,104
Deferred tax provision	(1,477)	1,300
Equity in earnings of unconsolidated subsidiaries	(5,918)	(5,949)
Gain on sale of assets (primarily coal reserves)	(10,125)	(51)
Other, net	(1,413)	(159)
Working capital provided from operations	111,191	166,515
Proceeds from —		
Sale of future production	—	60,000
Dividend from unconsolidated subsidiary	6,000	5,002
Collection of long-term receivables	2,780	1,183
Disposal of assets	11,614	274
Cash contribution by joint venture partner	27,226	—
	158,811	232,974
USE OF FUNDS:		
Additions to property, plant and equipment	108,087	69,754
Liquidation of sale of future production	7,772	6,662
Reduction of long-term debt	3,231	3,133
Dividend to Occidental	27,450	180,000
Additions to other assets	2,902	4,568
Advances to (from) Occidental, net	5,255	(55,020)
Other, net	1,029	58
	155,726	209,155
INCREASE IN WORKING CAPITAL	$ 3,085	$ 23,819
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$ 13,366	$ 10,049
Receivables and prepaid expenses	(22,400)	17,474
Inventories	11,415	3,091
	2,381	30,614
Current liabilities —		
Current maturities of long-term debt	237	1,034
Accounts payable, accrued liabilities and other payables	467	(7,829)
	704	(6,795)
INCREASE IN WORKING CAPITAL	$ 3,085	$ 23,819

Island Creek Coal Division/Statistical Highlights

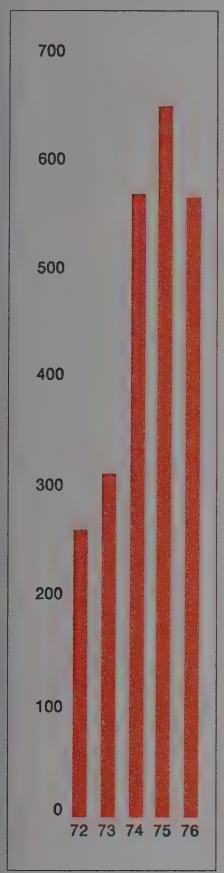
For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
			(dollar amounts in thousands)		
PRODUCTION (amounts in thousands):					
Tons produced by own mines	**16,010**	17,631	18,760	20,394	19,760
Tons produced by jointly-owned supervised mines	**1,597**	1,790	2,088	2,486	2,845
Total tons produced	**17,607**	19,421	20,848	22,880	22,605
SALES TONNAGE BY MARKETS: (amounts in thousands) —					
Domestic:					
Utility	**9,203**	11,067	11,200	11,926	11,949
Metallurgical	**1,942**	2,329	2,700	3,526	3,360
Industrial and retail	**2,192**	2,494	4,700	4,347	4,062
Export:					
Metallurgical	**4,529**	4,416	4,200	4,806	5,259
Total	**17,866**	20,306	22,800	24,605	24,630
NUMBER OF MINES IN PRODUCTION:					
Owned mines	**32**	32	33	32	35
Jointly-owned supervised mines	**4**	4	4	4	4
Total	**36**	36	37	36	39
NET SALES:					
Coal	**$539,949**	$638,788	$543,060	$284,276	$235,814
Stores and other	**19,888**	19,992	19,282	16,851	19,346
Total	**$559,837**	$658,780	$562,342	$301,127	$255,160
TOTAL ASSETS AT YEAR END	**$675,494**	$583,104	$553,593	$366,658	$353,650
CAPITAL EXPENDITURES	**$108,087**	$ 69,754	$ 31,140	$ 18,022	$ 38,888
SAFETY RECORD:					
Accidents per million hours worked	**11.68**	12.53	11.83	15.74	14.77
Man days lost per million hours worked	**1,868**	2,788	2,402	3,326	2,481
Tons produced divided by number of lost-time accidents	**82,107**	83,161	104,624	96,132	95,308
NUMBER OF EMPLOYEES	**8,659**	8,759	8,087	7,614	7,302
COAL RESERVES (billions of tons):					
Metallurgical	**1.2**	1.2	1.1	1.2	1.2
Steam	**2.2**	2.2	2.3	2.3	2.3
Total	**3.4**	3.4	3.4	3.5	3.5

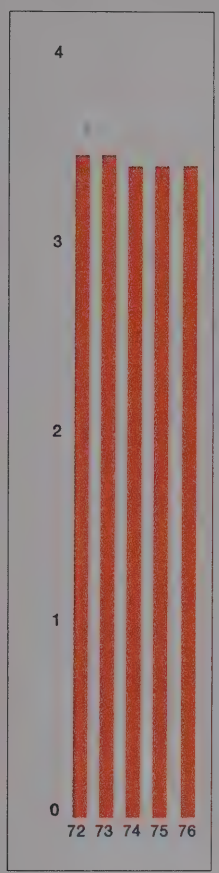
Island Creek Coal Division/Statistical Highlights

For the five years ended December 31, 1976

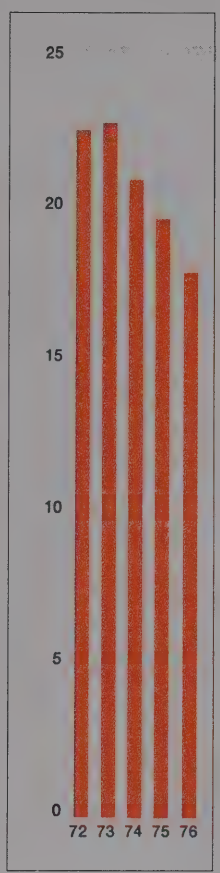
Sales
(in millions of dollars)



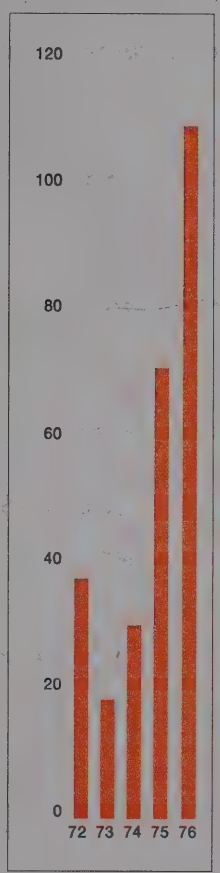
Reserves
(in billions of tons)



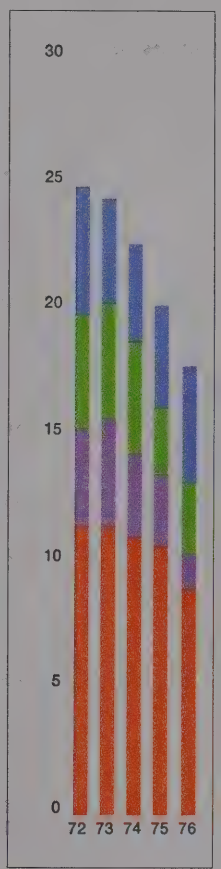
Tons Produced
(in millions)



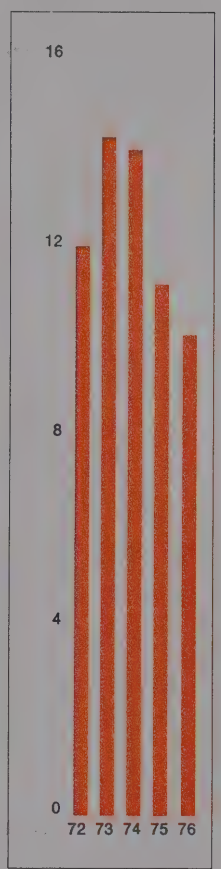
Capital Expenditures
(in millions of dollars)



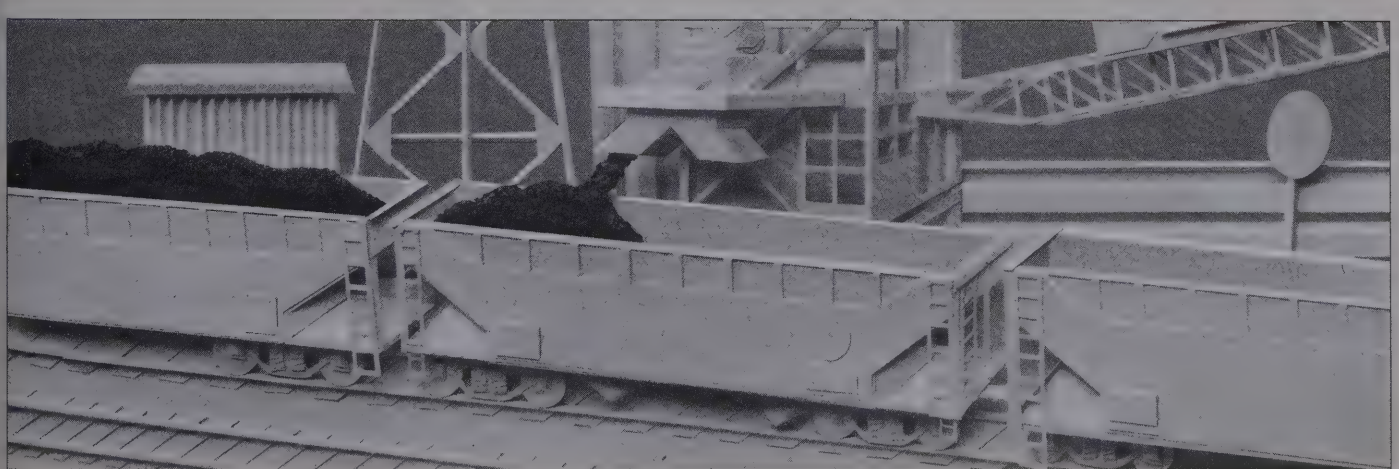
Tons (by market)
(in millions)



Productivity
(tons per mine man per day)



Export Metallurgical
Industrial and Retail
U.S. Metallurgical
Utility

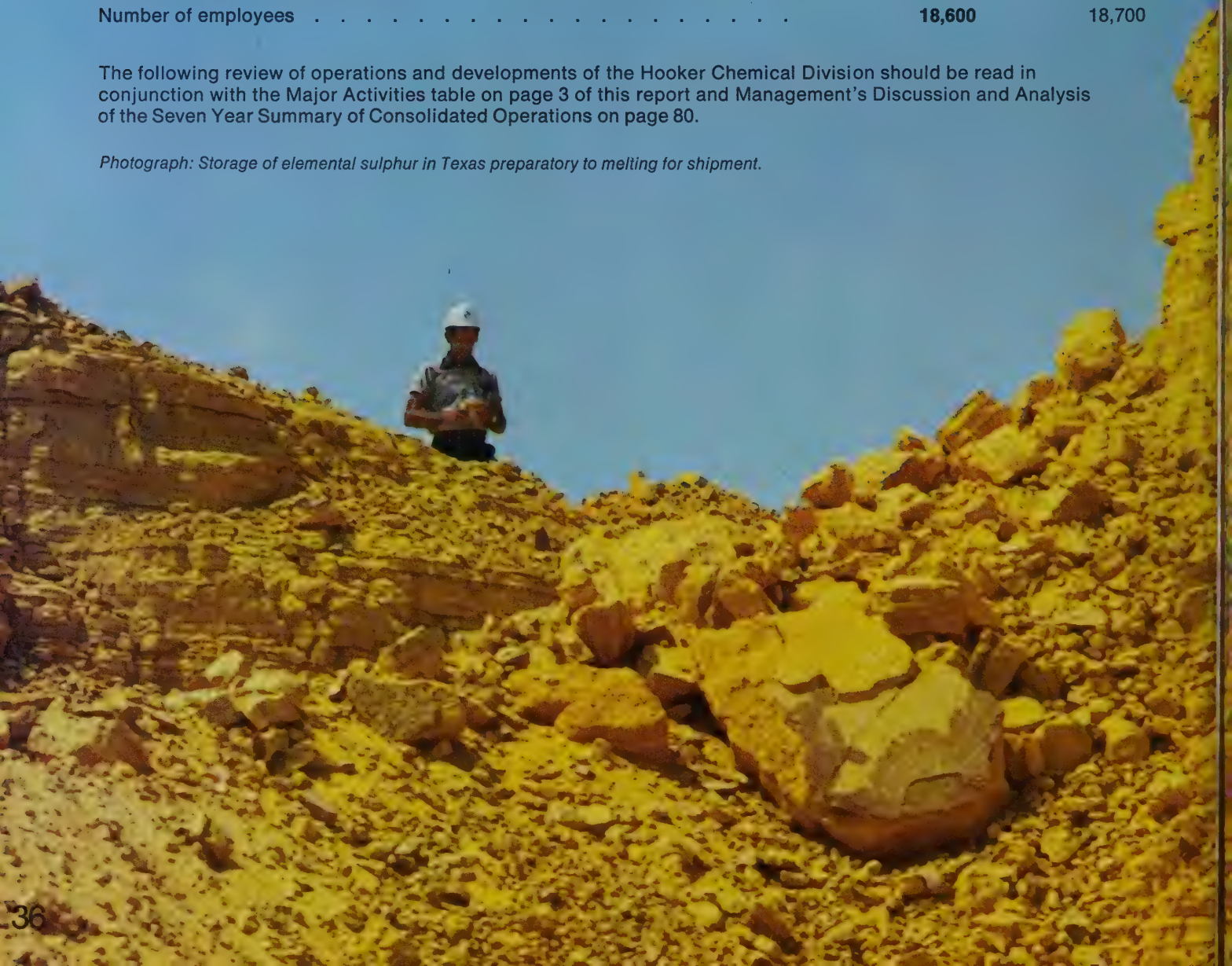


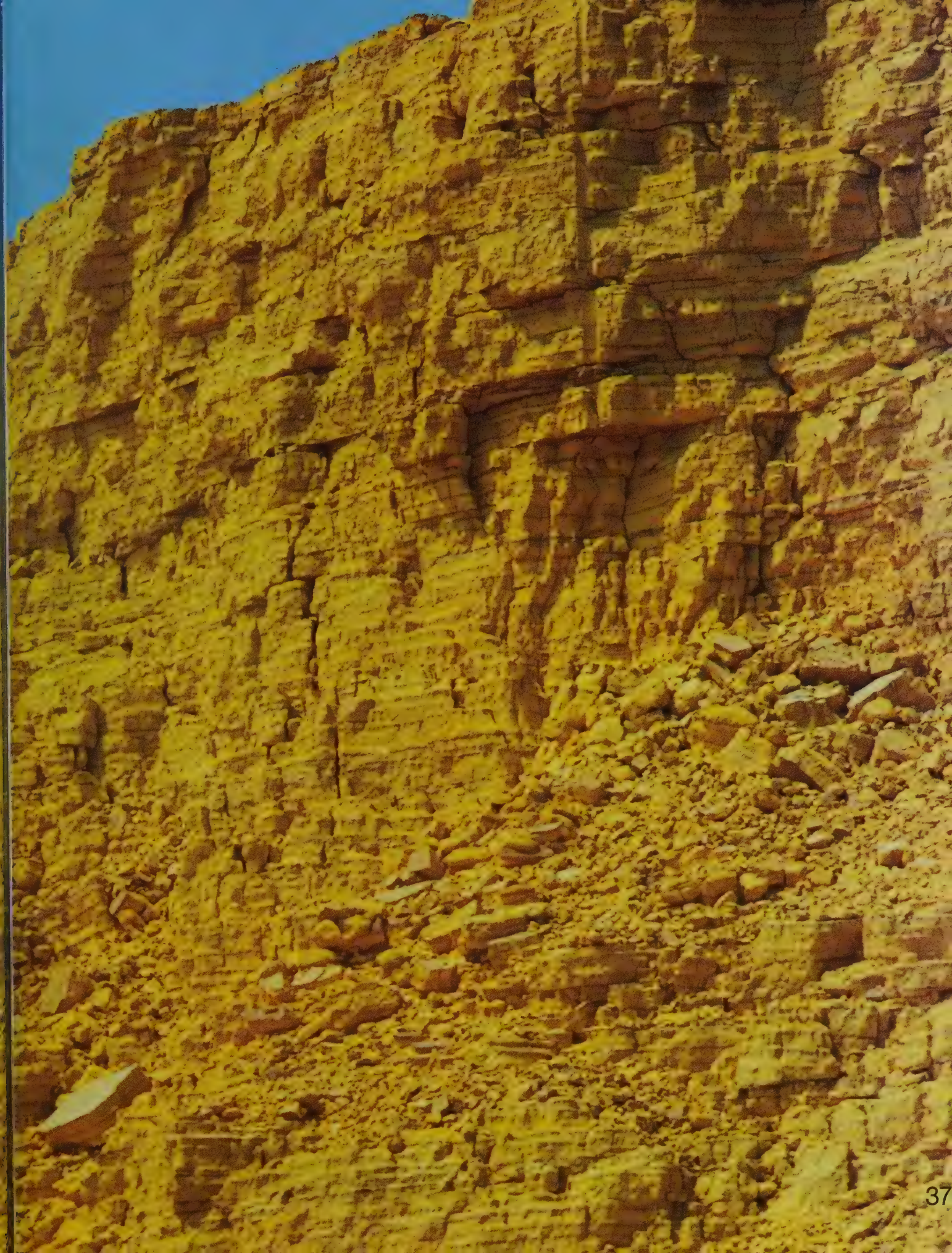
Hooker Chemical Division/Financial Highlights

	1976	1975
Net sales	**$1,537,976,000**	$1,585,156,000
Net income after preferred dividends	**$ 82,851,000**	$ 85,815,000
Financial position:		
Current assets	**$ 582,130,000**	$ 474,488,000
Current liabilities	**$ 304,627,000**	$ 253,244,000
Due from (to) Occidental	**$ 23,042,000**	$ (8,777,000)
Property, plant and equipment, net	**$ 610,217,000**	$ 591,657,000
Total assets	**$1,276,808,000**	$1,120,740,000
Long-term debt	**$ 206,588,000**	$ 212,364,000
Shareholders' equity	**$ 625,807,000**	$ 555,979,000
Working capital provided from operations	**$ 153,109,000**	$ 148,744,000
Additions to property, plant and equipment	**$ 82,058,000**	$ 114,805,000
Research and development costs	**$ 19,965,000**	$ 15,449,000
Number of employees	**18,600**	18,700

The following review of operations and developments of the Hooker Chemical Division should be read in conjunction with the Major Activities table on page 3 of this report and Management's Discussion and Analysis of the Seven Year Summary of Consolidated Operations on page 80.

Photograph: Storage of elemental sulphur in Texas preparatory to melting for shipment.





Hooker Chemical Division

Our Hooker Chemical Division recorded net income of $82.9 million in 1976 compared to 1975 earnings of $85.8 million. Hooker sales for 1976 totaled $1.54 billion, slightly below the $1.59 billion of sales in 1975.

The 1976 earnings included fourth quarter profits from Adtek, Inc., which became part of Hooker's agricultural chemical products group on October 1, 1976. To some extent, this offset the effect of a severe decline in the agricultural group's earnings which were down $36 million for the year as a result of the low levels of demand and depressed prices for phosphate rock and phosphate products.

Hooker Chemical Corporation, Occidental's wholly-owned chemical division, has four major operating groups:

Chemicals and Plastics—chlorine, caustic soda and other industrial and specialty chemicals; plastics, PVC resins and compounds, film and fabrics. Hooker operating companies are: Hooker Chemicals & Plastics Corp., Durez and Ruco.

Metal Finishing—base and precious metal-plating equipment, process chemicals, precious and semi-precious metals. The Hooker operating company is Oxy Metal Industries Corporation which includes Udylite, Parker and Sel-Rex.

Agricultural Products Group—agricultural chemicals, animal feed supplements, sulphur, fertilizers. Hooker operating companies are: Occidental Chemical Company, Jefferson Lake Sulphur Company, International Ore & Fertilizer Corporation, Leather's Chemical Company Limited and Adtek, Inc., a wholly-owned construction and engineering subsidiary operating both domestically and internationally and principally connected at the present time with Occidental's U.S.S.R. fertilizer projects.

Canadian Operations—oil and gas, sulphur and chemicals in Canada. The Hooker operating company is Canadian Occidental Petroleum Ltd.

Donald L. Baeder, President and Chief Executive Officer, Hooker Chemical Division. Right, customers of Oxy Metal Industries Corporation have samples of their work plated with precise processing cycles determined at OMI plating laboratory in Detroit, Michigan.





Capital Investment Programs

Capital investment programs were structured during 1976 to emphasize business areas where new growth and profit potential are greatest. 1976 capital expenditures were $82.1 million with the largest percentage being applied to the chemicals and plastics sector.

During 1976, $10.7 million was spent on environmental and pollution control. This represents an increase of 78 per cent over the $6 million spent in 1975. We have programed nearly $23 million for this area in 1977.

Energy Conservation Program

Because the chemical industry is one of the largest energy-consuming sectors of the U.S. industrial economy, chemical companies have initiated programs to utilize this resource more efficiently. The guideline established is a 14 per cent reduction in energy consumed per pound of product produced by January 1, 1980, using 1972 as the base year.

At company's Jacksonville Bulk Terminal in Florida, phosphate rock from Oxychem's Suwannee River mine pours into hold of deep-water vessel at rate of 3,000 tons per hour.



Having initiated an aggressive program, Hooker has currently attained a six per cent overall energy reduction, and we expect to meet the industry guideline by 1980.

Hooker Chemicals & Plastics Corp.

In 1976, Hooker Chemicals & Plastics Corp. registered record levels of sales and net income for the sixth consecutive year. Sales of $761 million were up 13.8 per cent from the $669 million of sales in 1975. Net income of $55 million was up 12.3 per cent from last year.

Strong performances were achieved by the Electrochemical Division in chlor-alkali operations. This division operated at an annual average rate of 80 per cent of capacity, as compared with 71 per cent in 1975, resulting in a 20 per cent improvement in net income over 1975.

Industrial Systems, a specialized group engaged in marketing the company's chlor-alkali technology and equipment, completed a sales agreement for chemical plant components for a new pulp mill complex in Brazil. The modular-designed systems are being built in Japan and the U.S. for on-site assembly in 1977.

While the Specialty Chemical Division's total sales were up slightly over the previous year, net income was down because of write-offs connected with the implementation of programs to improve profitability by discontinuing certain unprofitable chemical intermediaries and consolidating product lines.

Construction of the $60 million chlor-alkali expansion at Niagara Falls, New York, is moving ahead on schedule toward a mid-1978 start-up. Design and engineering work were begun on a $60 million-plus project to convert municipal wastes in the Niagara area into steam and power for the Niagara plant.

International Division Registers Increases

The International Division of Hooker Chemicals & Plastics Corp. registered a six per cent increase in sales over 1975 and an increase in net income of 23 per cent in spite of currency devaluations in Mexico which impaired net income by $3.3 million, high interest rates, inflation, and a general softening in some product areas.

The division's Vulcan Company started several significant moves in Brazil designed to strengthen its long-term growth including expansion of its joint venture, Malharia Industrial do Nordeste, a textile manufacturer; completion of a new PVC pipe extrusion plant at Belo Horizonte and phthalic anhydride expansion at Mogi, its chemical division.

Durez and Ruco Divisions

Durez is one of the leading U.S. producers of phenolic molding compounds. Having shared in the plastics industry's general resurgence, the division operated at an annual rate of 71 per cent of capacity in 1976, up from 57 per cent in 1975, and achieved a substantial increase in net income over 1975.

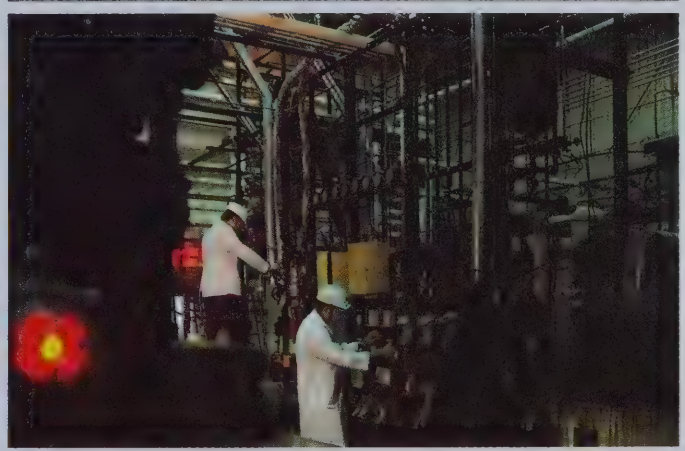
A $4 million molding compound plant expansion program is under way at North Tonawanda, New York, and a $2 million biological waste treatment facility is under construction at the Kenton, Ohio, plant.

Circuits of H-4 chlorine cells at Hooker facility in Niagara Falls, New York, one of the largest of this type in the chlor-alkali industry, are utilized in the production of chlorine and caustic soda.



Tank cars at Hooker Chemicals & Plastics Corp. chlor-alkali complex in Taft, Louisiana. Zaremba evaporator plant in background produces caustic soda. Below, constructing advanced computer-controlled Hooker research pilot plant at Grand Island, New York, for conversion of monomers into thermoplastics pellets.







Ruco's major product lines are polyvinyl chloride (PVC) resins and compounds, PVC film and laminated fabrics and specialty polymers for urethane plastics.

In 1976, Ruco Division sales were $74.7 million as compared to $64 million last year. Net income was $2.1 million compared to $1.1 million in 1975.

Ruco's production facilities for PVC products are operating in compliance with the Occupational Safety and Health Administration's (OSHA) workplace standard for vinyl chloride monomer and will be able to conform to the recent vinyl chloride air pollution standard promulgated by the Environmental Protection Agency (EPA).

Oxy Metal Industries Corporation

The economic recovery in 1976, particularly in the U.S. automotive and appliance industries, together with the consolidation of European operations, contributed to an Oxy Metal Industries Corporation (OMIC) profit of $5.6 million, a substantial turnaround in comparison to a $12.3 million loss in 1975 (of which $7.7 million was non-recurring).

This was accomplished with 1976 domestic sales of $136 million and international sales of $90 million, a decrease of 12 per cent over 1975 sales.

Agricultural Products Group

This newly-formed group comprises domestic and international fertilizers, animal feed supplements and international construction and engineering operations.

Overall profits declined $36 million in 1976 as a result of depressed fertilizer prices although the addition of Adtek, Inc., fourth quarter earnings to some extent offset the effect of the severe decline of the group's earnings. The oversupply in important fertilizer product lines forced the group, along with other major companies, to reduce operating rates or temporarily close operations in 1976.

Occidental Chemical Company (Oxychem) closed its Florida phosphate operations for six weeks during the summer of 1976 and instituted effective cost-reduction programs. As a result of low demand, one of two phosphate rock mines was closed at the beginning of 1977 and will remain closed until the market improves.

Division Improves Performance

One of the highlights of Oxychem's operations in 1976 was the Feed Division's animal feed supplements business. This group's performance improved substantially over 1975.

International Ore & Fertilizer Corporation (Interore), one of the largest diversified international marketers of fertilizers, handled tonnages in 1976 that were in line with previous years, but revenues of $179.4 million were down almost 45 per cent from 1975 as a result of a sharp decline in prices.

Canadian Occidental Petroleum Ltd.

Hooker's 82 per cent-owned subsidiary, Canadian Occidental Petroleum Ltd. (CanOxy), recorded its fifth consecutive year of improved net income and revenues. The following table sets forth a comparison of revenues and net income for the years 1976 and 1975:

	Revenues		Net Income	
	1976	1975	1976	1975
	(amounts in millions)			
Oil, gas and sulphur . . .	$19.6	$19.0	$ 8.6	$ 7.6
Chemicals	47.2	32.6	9.1	4.5
	$66.8	$51.6	$17.7	$12.1

All dollar amounts reported for Canadian Occidental Petroleum Ltd. are stated in Canadian currency.

Earnings in the chemicals division returned to a normal level in 1976 following settlement of an industry-wide strike in the pulp and paper industry which caused a shutdown of CanOxy's industrial chemicals plants for three months in 1975.

Opposite page: Drums of chemical products, stored for shipment, await delivery at N. V. Hooker Chemical S. A. facility in Genk, Belgium. Below, left to right, James J. Galvin, President, Agricultural Products Group, and John S. Coey, President, Hooker Chemicals & Plastics Corp.





Treating towers at sour gas processing plant operated by CanOxy near Calgary, Canada. Right, J. Doug Ratcliffe, President, Canadian Occidental Petroleum Ltd.





Active Drilling Program

During the year, CanOxy participated in the drilling of 43 wells in western Canada resulting in 19 gas wells and one oil well. CanOxy and its partners are continuing the developmental drilling of their shallow gas properties in the Bassett and Paddle Prairie areas of Alberta. Both of these properties are scheduled to begin production in November, 1977.

CanOxy has working interests ranging from 3.6 per cent to 20 per cent in 20 petroleum leases in the U.S. Gulf Coast. In 1976, CanOxy participated in the drilling of 34 Gulf Coast wells resulting in 25 gas wells and 3 oil wells. Two permanent drilling and production platforms were installed in 1976. In November, 1976, however, the platform on High Island Block 563, offshore Texas, operated by another company and in which CanOxy has a 4.6 per cent interest, experienced a gas well blowout and was destroyed. Although this loss was substantially covered by insurance, destruction of the platform will result in a one-to-two-year delay in bringing that lease block on production.

Construction of the pipeline and gas-gathering system required to serve CanOxy's gas wells off the coast of Texas was started in 1976. Production from these wells is expected to start in early 1978.

Public Issue Successful

In November, 1976, CanOxy completed the public issue and sale of $25 million, ten per cent Class A preferred shares to a group of Canadian underwriters.

CanOxy intends to use the proceeds of this issue for possible acquisitions or other expansion of its business.

Russian Fertilizer Project

All phases of the U.S.S.R. fertilizer project are proceeding according to contract. As part of the general agreement, late last year the Hooker affiliate, Interore Trading Ltd., and the Soviet trading organization, Sojuzchimexport, concluded a contract for the sale to Occidental of 3.5 million metric tons of ammonia to be delivered over a ten-year period beginning in 1978.

Occidental had previously negotiated a $100 million contract with the Soviet Union to supply technology, design, construction supervisory services and equipment for ammonia and superphosphoric acid (SPA) marine terminal facilities to support the fertilizer project. They are located at Odessa on the Black Sea and Ventspils on the Baltic Sea. These facilities are expected to be operational in 1978.

Ammonia Pipeline Construction

A 1,500-mile ammonia pipeline from Togliatti to Odessa is progressing on schedule and is expected to be operational in early 1979. Occidental shares the contract for this $300 million project with a French construction company.

Plans for the expansion of facilities to provide SPA are progressing at Occidental Chemical Company's White Springs, Florida, location in order to meet contractual requirements of 480,000 tons of SPA in 1979 and one million tons a year thereafter for 18 years.

Purchases and sales of ammonia, urea, potash and SPA under the general agreement will be at periodically negotiated prices related to those prevailing in the U.S. and world markets generally. The effect of these transactions on our results will depend upon our ability to realize a profit on that basis.

Opposite page: Truck unloads phosphate sand which is washed and used in production of elemental phosphorus, ferrophos and slag at Hooker Chemicals & Plastics plant in Columbia, Tennessee. Below, operator at Occidental Chemical Company facility in Plainview, Texas, loads complex Oxychem fertilizers into pneumatic transport for delivery to agricultural purchasers.



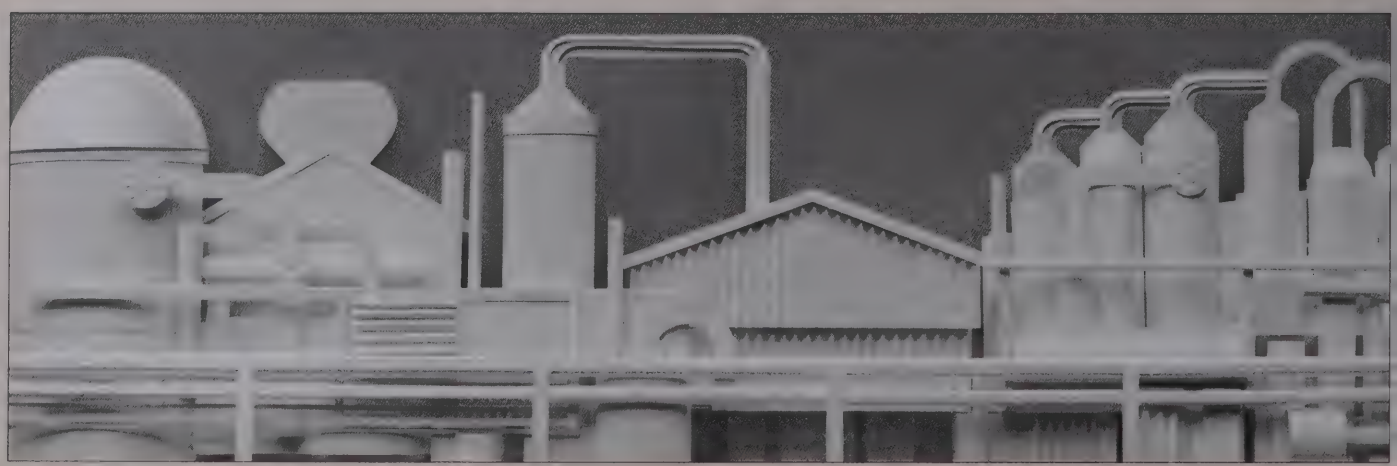
Maintenance team replacing two-ton drag chain on 45-cubic yard dragline bucket used to move phosphate ore at Oxychem's mining operations in north-central Florida where several huge draglines, all with similar buckets, are at work.



Hooker Chemical Division
Financial Statements and Operating Statistics

The financial statements of Hooker Chemical Corporation and consolidated subsidiaries are included in the consolidated financial statements of Occidental Petroleum Corporation and Consolidated Subsidiaries appearing elsewhere in this report. The division's financial statements have been prepared so that the readers of this report can compare the operations of our chemical activities with other companies in the industry. The footnotes to Occidental's consolidated financial statements should be read for matters significant to the company on a consolidated basis but applicable to this division. See Major Activities table at the front of this report for reconciliation of divisional net income to consolidated net income.

The report of independent public accountants on page 75 expresses their opinion on the consolidated financial statements of Occidental Petroleum Corporation (from pages 61 to 74). Presentation of the financial statements of this division is not necessary to a fair presentation of the consolidated financial statements, and the report of independent public accountants does not separately cover these divisional financial statements.



Hooker Chemical Corporation and Consolidated Subsidiaries/Statements of Operations

For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
REVENUES:		
Net sales	**$1,537,976**	$1,585,156
Interest and other income	**34,168**	21,913
	1,572,144	1,607,069
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	**1,184,351**	1,213,007
Selling, general and administrative and other operating expenses	**215,204**	214,115
Provision for domestic and foreign income, franchise and other taxes	**52,448**	65,807
Interest and debt expense	**29,328**	26,398
Less interest capitalized	**(1,132)**	(3,201)
Minority interests in net income of subsidiaries	**5,794**	3,689
	1,485,993	1,519,815
NET INCOME	**86,151**	87,254
PREFERRED DIVIDEND REQUIREMENTS	**3,300**	1,439
EARNINGS APPLICABLE TO OCCIDENTAL	**$ 82,851**	$ 85,815

Hooker Chemical Corporation and Consolidated Subsidiaries/Balance Sheets

December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
Assets		
CURRENT ASSETS:		
Cash	**$ 104,458**	$ 42,239
Receivables, net of reserve	**254,599**	230,134
Inventories, at cost	**206,352**	188,267
Prepaid expenses and other	**16,721**	13,848
Total current assets	**582,130**	474,488
DUE FROM (TO) OCCIDENTAL	**23,042**	(8,777)
LONG-TERM RECEIVABLES, net of reserve	**9,577**	9,489
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES	**19,476**	16,162
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $425,116 in 1976 and $381,604 in 1975	**610,217**	591,657
OTHER ASSETS, less amortization	**32,366**	37,721
	$1,276,808	$1,120,740
Liabilities		
CURRENT LIABILITIES:		
Notes payable and current maturities of long-term debt	**$ 64,982**	$ 47,502
Accounts payable and accrued liabilities	**222,726**	185,562
Domestic and foreign income, franchise and other taxes	**16,919**	20,180
Total current liabilities	**304,627**	253,244
LONG-TERM DEBT, net of current maturities	**206,588**	212,364
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred domestic and foreign income taxes	**65,924**	53,885
Other	**5,877**	5,044
	71,801	58,929
MINORITY EQUITY IN SUBSIDIARIES	**67,985**	40,224
SHAREHOLDERS' EQUITY:		
Preferred stock	**600**	600
Common shares	**22,500**	22,500
Additional paid-in capital	**191,683**	178,706
Retained earnings	**411,024**	354,173
	625,807	555,979
	$1,276,808	$1,120,740

Hooker Chemical Corporation and Consolidated Subsidiaries
Statements of Changes in Financial Position
For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 86,151	$ 87,254
Add (deduct) — Items not using (providing) working capital —		
Depreciation, depletion and amortization	60,836	44,981
Equity in earnings of unconsolidated subsidiaries	(3,976)	(1,620)
Minority interests in net income of subsidiaries	5,794	3,689
Deferred tax provision	3,520	14,312
Other, net	784	128
Working capital provided from operations	153,109	148,744
Proceeds from —		
Long-term borrowings	17,284	23,649
Disposal of assets	8,852	5,749
Collection of long-term receivables	2,658	4,967
Issuance of preferred stock	—	30,000
Issuance of preferred stock to minority shareholders of a consolidated subsidiary	24,163	—
Reimbursement for capital project expenditures, net	6,100	43,898
Investments and advances, net	662	(896)
Other, net	992	1,390
	213,820	257,501
USE OF FUNDS:		
Additions to property, plant and equipment	82,058	114,805
Payment of cash dividends	29,300	28,019
Reduction of long-term debt	22,858	65,077
Additions to long-term receivables	3,455	10,573
Liquidation of capital project construction financing, net	—	28,631
Additions to other assets	4,930	8,466
Advances to (from) Occidental, net	10,310	(1,461)
Reduction of working capital resulting from contribution of subsidiaries by Occidental	4,650	—
	157,561	254,110
INCREASE IN WORKING CAPITAL	$ 56,259	$ 3,391
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$ 62,219	$ 8,360
Receivables and prepaid expenses and other	27,338	(6,329)
Inventories	18,085	(56,166)
	107,642	(54,135)
Current liabilities —		
Notes payable and current maturities of long-term debt	(17,480)	(4,763)
Accounts payable and accrued liabilities	(37,164)	39,847
Domestic and foreign income, franchise and other taxes	3,261	22,442
	(51,383)	57,526
INCREASE IN WORKING CAPITAL	$ 56,259	$ 3,391

Hooker Chemical Corporation/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
NET SALES:					
Chemicals and plastics	$ 760,953	$ 669,000	$ 614,989	$ 430,054	$350,246
Metal-finishing	226,134	258,920	354,885	285,504	203,008
Fertilizers, agricultural chemicals and sulphur	483,437	606,251	674,038	315,981	255,420
Canadian Occidental Petroleum Ltd.	67,452	50,985	44,658	33,035	26,591
Total	$1,537,976	$1,585,156	$1,688,570	$1,064,574	$835,265
NET INCOME:					
Chemicals and plastics	$ 55,021	$ 48,994	$ 40,061	$ 13,741	$ 8,565
Metal-finishing	5,610	(12,284)	3,286	12,206	8,660
Fertilizers, agricultural chemicals and sulphur	11,466	47,383	55,328	13,115	3,946
Canadian Occidental Petroleum Ltd.	13,747	8,641	5,724	2,811	2,473
Total	(1)$ 85,844	(1)$ 92,734	$ 104,399	$ 41,873	$ 23,644
CAPITAL EXPENDITURES:					
Chemicals and plastics	$ 54,435	$ 49,780	$ 53,261	$ 30,498	$ 31,312
Metal-finishing	3,326	3,442	3,674	2,534	2,840
Fertilizers, agricultural chemicals and sulphur	11,802	52,664	41,132	13,441	8,220
Canadian Occidental Petroleum Ltd.	12,495	8,919	21,198	31,819	10,352
Total	$ 82,058	$ 114,805	$ 119,265	$ 78,292	$ 52,724
RESEARCH AND DEVELOPMENT EXPENSES:					
Chemicals and plastics	$ 13,554	$ 9,818	$ 7,597	$ 9,446	$ 7,729
Metal-finishing	5,385	4,453	4,950	4,163	3,915
Fertilizers, agricultural chemicals and sulphur	1,026	1,178	254	275	219
Canadian Occidental Petroleum Ltd.	—	—	—	120	132
Total	$ 19,965	$ 15,449	$ 12,801	$ 14,004	$ 11,995
NET PROPERTY, PLANT AND EQUIPMENT:					
Chemicals and plastics	$ 306,489	$ 289,458	$ 263,738	$ 237,273	$229,854
Metal-finishing	25,949	27,803	27,736	26,479	27,499
Fertilizers, agricultural chemicals and sulphur	171,970	174,343	132,836	102,440	99,588
Canadian Occidental Petroleum Ltd.	105,809	100,053	96,953	82,437	55,428
Total	$ 610,217	$ 591,657	$ 521,263	$ 448,629	$412,369
NUMBER OF EMPLOYEES:					
Chemicals and plastics	11,811	11,525	11,714	11,943	11,096
Metal-finishing	2,836	3,073	3,856	3,986	3,821
Fertilizers, agricultural chemicals and sulphur	3,526	3,596	2,992	2,512	2,362
Canadian Occidental Petroleum Ltd.	463	467	439	418	401

(1) Net income is divisional net income before unallocated corporate activities and domestic income taxes of $(307) in 1976 and $5,480 in 1975. Domestic income taxes are accrued by the major activities as if they filed separate tax returns. The offset is netted against unallocated corporate activities and domestic income taxes.

Hooker Chemicals & Plastics Corp./Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
PRODUCTION VOLUMES:					
Tons produced —					
Chlorine	**798,332**	711,569	615,459	579,760	583,149
Caustic soda	**834,003**	740,035	580,219	598,664	592,276
Sodium chlorate	**110,604**	84,992	98,429	91,516	86,721
Phosphorus	**39,693**	34,474	44,204	45,298	42,920
STPP	**91,201**	91,302	110,010	119,319	138,407
Fine chemicals	**30,084**	46,069	41,802	27,018	24,253
Plastic additives	**41,639**	37,838	48,704	37,127	27,671
Plastic pipe	**9,165**	7,327	5,023	4,981	2,300
Industrial chemicals	**309,541**	314,150	363,810	375,570	337,808
Pounds produced (in thousands) —					
Molding materials	**138,895**	98,179	147,583	152,657	141,946
Industrial and foundry resins	**71,548**	66,181	90,247	100,354	86,564
Urethanes	**22,488**	16,862	24,704	19,119	28,789
Chemicals (specialty)	**8,982**	9,147	7,975	7,529	11,412
Phenol	**—**	15,277	18,330	13,162	12,120
PVC resins and compounds	**209,528**	176,929	210,654	214,592	172,890
Film and sheeting	**82,337**	60,605	71,180	56,411	51,574
Polyesters	**19,599**	27,421	22,842	31,706	21,907
Yards manufactured (in thousands) —					
Coated fabrics	**16,939**	13,330	13,222	29,690	19,823
Decorative laminates	**12,197**	2,699	6,965	2,316	1,788
SALES BY DIVISION:					
Electrochemical and Specialty Chemicals	**$356,432**	$311,179	$256,068	$183,406	$162,470
Durez	**95,270**	74,274	95,444	65,887	56,742
Ruco	**74,719**	63,960	78,753	52,717	33,307
International	**234,532**	219,587	184,724	128,044	97,727
Total	**$760,953**	$669,000	$614,989	$430,054	$350,246
CAPITAL EXPENDITURES:					
Pollution control	**$ 9,790**	$ 5,927	$ 2,207	$ 1,402	$ 775
Maintenance of operations	**23,161**	24,245	21,034	18,106	15,520
Profit improvement	**21,484**	19,608	30,020	10,990	15,017
Total	**$ 54,435**	$ 49,780	$ 53,261	$ 30,498	$ 31,312
RESEARCH AND DEVELOPMENT EXPENSES	**$ 13,554**	$ 9,818	$ 7,597	$ 9,446	$ 7,729
NET PROPERTY, PLANT AND EQUIPMENT:					
United States and Canada	**$251,775**	$242,771	$223,050	$200,883	$193,073
Europe	**4,981**	4,892	5,127	5,306	5,555
Far East	**95**	95	28	28	28
Latin America	**49,638**	41,700	35,533	31,056	31,198
Total	**$306,489**	$289,458	$263,738	$237,273	$229,854
NUMBER OF EMPLOYEES:					
United States and Canada	**6,163**	6,254	6,021	6,168	5,947
International	**5,648**	5,271	5,693	5,775	5,149

Oxy Metal Industries Corporation/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
SALES BY MAJOR PRODUCT GROUP:					
United States —					
Base metals, chemicals and compounds	**$ 42,159**	$ 37,260	$ 61,069	$ 59,790	$ 57,805
Precious metals, chemicals and compounds	**46,013**	61,685	113,023	83,445	44,175
Equipment	**19,592**	19,348	25,389	22,075	17,025
Conversion coatings	**28,382**	22,289	21,580	17,660	14,930
International —					
Base metals, chemicals and compounds	**32,508**	40,474	48,862	41,720	29,210
Precious metals, chemicals and compounds	**23,310**	34,261	47,289	29,730	18,560
Equipment	**27,879**	40,729	35,405	29,260	19,923
Conversion coatings	**6,291**	2,874	2,268	1,824	1,380
Total	**$226,134**	$258,920	$354,885	$285,504	$203,008
DOMESTIC SALES BY INDUSTRY:					
Electronics	**$ 50,796**	$ 56,647	$106,395	$ 68,040	$ 39,045
Automotive	**32,002**	14,757	23,184	25,028	23,020
Decorative	**5,469**	11,120	14,093	8,475	4,470
Appliance	**13,331**	10,993	9,967	7,963	7,003
Recreation	**1,013**	3,658	7,090	6,981	6,025
Plumbing and hardware	**7,120**	4,146	7,501	6,010	5,460
Other	**26,415**	39,261	52,831	60,473	48,912
Total	**$136,146**	$140,582	$221,061	$182,970	$133,935
CAPITAL EXPENDITURES:					
United States —					
Pollution control	**$ 62**	$ 142	$ 200	$ 340	$ 231
Maintenance of operations	**1,819**	1,579	1,740	1,265	1,369
International —					
Pollution control	**200**	98	169	80	—
Maintenance of operations	**1,245**	1,623	1,565	849	1,240
Total	**$ 3,326**	$ 3,442	$ 3,674	$ 2,534	$ 2,840
RESEARCH AND DEVELOPMENT EXPENSES	**$ 5,385**	$ 4,453	$ 4,950	$ 4,163	$ 3,915
NET PROPERTY, PLANT AND EQUIPMENT:					
United States	**$19,203**	$ 19,495	$ 19,733	$ 19,284	$ 19,265
International	**6,746**	8,308	8,003	7,195	8,234
Total	**$ 25,949**	$ 27,803	$ 27,736	$ 26,479	$ 27,499
NUMBER OF EMPLOYEES:					
United States	**1,404**	1,329	1,641	1,868	1,727
International	**1,432**	1,744	2,215	2,118	2,094

Occidental Chemical Company/Statistical Highlights

For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
PRODUCTION VOLUME:					
(thousands of tons) —					
Phosphate	**3,806**	3,098	3,015	2,977	3,228
Mixed fertilizer materials	**651**	871	993	803	660
Animal feed products	**174**	149	237	260	288
Sulphur and sulphur products	**535**	664	779	614	529
SALES:					
Phosphate and mixed fertilizer materials	**$373,952**	$511,028	$587,411	$238,912	$181,949
Agricultural chemicals	**49,909**	43,910	41,974	44,396	43,057
Animal feed products	**24,625**	17,468	18,000	17,052	17,836
Sulphur and sulphur products	**30,915**	32,583	25,565	14,632	11,660
Other	**4,036**	1,262	1,088	989	918
Total	**$483,437**	$606,251	$674,038	$315,981	$255,420
CAPITAL EXPENDITURES:					
Pollution control	**$ 690**	$ 144	$ 100	$ 706	$ 467
Maintenance of operations	**4,094**	11,654	11,142	3,748	5,578
Profit improvement	**7,018**	40,866	29,890	8,987	2,175
Total	**$ 11,802**	$ 52,664	$ 41,132	$ 13,441	$ 8,220
RESEARCH AND DEVELOPMENT EXPENSES	**$ 1,026**	$ 1,178	$ 254	$ 275	$ 219
NET PROPERTY, PLANT AND EQUIPMENT	**$171,970**	$174,343	$132,836	$102,440	$ 99,588
NUMBER OF EMPLOYEES:					
United States	**3,254**	3,382	2,771	2,290	2,166
International	**272**	214	221	222	196
RESERVES at December 31:					
Phosphate rock (thousands of tons)	**98,747**	98,069	102,467	106,485	108,968
Sulphur (thousands of long tons)	**989**	1,238	1,571	1,896	2,216

Canadian Occidental Petroleum Ltd./Statistical Highlights

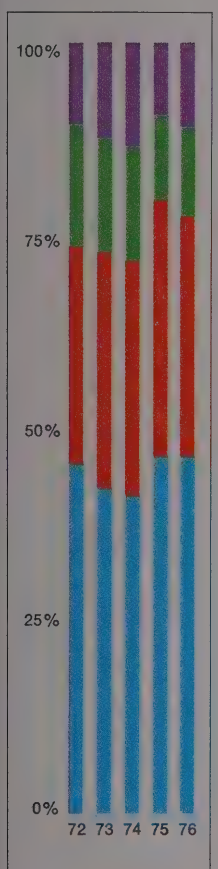
For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
			(dollar amounts in thousands)		
PRODUCTION VOLUMES:					
Crude oil — bls.	**338,404**	370,854	331,299	337,259	364,632
Pipeline gas — MMCF	**16,422**	18,031	18,099	19,043	18,966
Condensate — bls.	**193,864**	219,630	225,095	247,311	255,097
Sulphur — L.T.	**167,224**	202,844	219,127	241,116	237,392
Propane — bls.	**134,037**	143,405	127,619	134,350	123,325
Butane — bls.	**101,235**	108,624	105,688	112,784	97,797
Chlorine — tons	**181,106**	126,865	171,194	166,070	141,322
Caustic soda — tons	**214,492**	147,156	195,107	188,673	158,881
Molding materials — Mlbs.	**3,521**	2,824	5,640	7,342	7,618
Industrial and foundry resins — Mlbs.	**6,019**	4,077	5,124	5,862	3,924
2,000 line — Mlbs.	**1,893**	1,711	1,747	1,630	1,362
Paint base, regular — Mlbs.	**2,506**	1,947	2,336	2,370	2,358
Other chemicals — Mlbs.	**3,859**	3,202	3,834	3,791	3,140
SALES:					
Oil and gas	**$ 19,810**	$ 18,778	$ 10,890	$ 6,954	$ 6,100
Industrial chemicals	**36,903**	22,641	22,697	19,188	15,463
Plastics and resins	**5,100**	4,237	5,505	3,038	2,331
Metal-finishing	**5,639**	5,329	5,566	3,855	2,697
Total	**$ 67,452**	$ 50,985	$ 44,658	$ 33,035	$ 26,591
CAPITAL EXPENDITURES:					
Pollution control	**$ 63**	$ 68	$ 330	$ 11	$ 3
Oil and gas development	**4,485**	1,429	446	375	152
Exploration	**7,211**	4,436	12,704	30,733	7,193
Profit improvement	**736**	2,986	7,718	700	3,004
Total	**$ 12,495**	$ 8,919	$ 21,198	$ 31,819	$ 10,352
RESEARCH AND DEVELOPMENT EXPENSES	**$ —**	$ —	$ —	$ 120	$ 132
NET PROPERTY, PLANT AND EQUIPMENT:					
Oil and gas	**$ 84,796**	$ 77,488	$ 72,481	$ 65,658	$ 37,828
Industrial chemicals	**16,545**	18,282	20,257	12,479	13,472
Plastics and resins	**2,331**	2,430	2,718	2,898	3,057
Metal-finishing	**513**	461	467	459	462
Mineral exploration	**1,624**	1,392	1,030	943	609
Total	**$105,809**	$100,053	$ 96,953	$ 82,437	$ 55,428
NUMBER OF EMPLOYEES:					
Oil and gas	**208**	212	204	182	172
Industrial chemicals	**188**	178	166	163	162
Plastics and resins	**34**	45	36	43	40
Metal-finishing	**26**	25	26	24	22
Mineral exploration	**7**	7	7	6	5

Hooker Chemical Division/Statistical Highlights

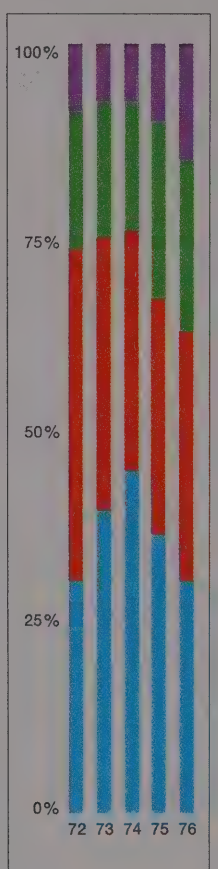
For the five years ended December 31, 1976

Hooker Chemicals & Plastics Corp.
(sales revenues by divisions)



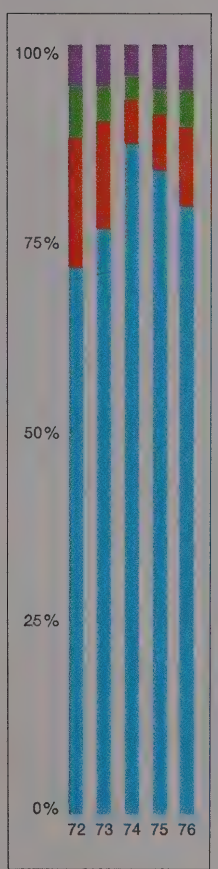
- Ruco
- Durez
- International
- Electrochemical and Specialty Chemicals

Oxy Metal Industries Corporation
(sales revenues by product areas)



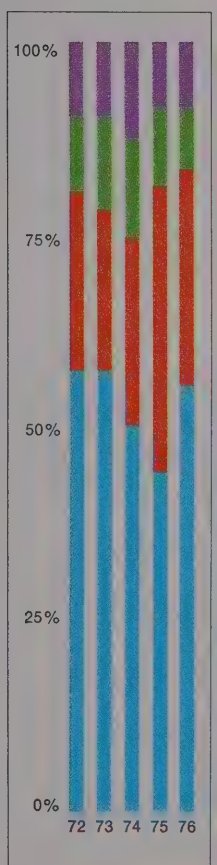
- Conversion Coatings
- Equipment
- Base Metals, Chemicals and Compounds
- Precious Metals, Chemicals and Compounds

Occidental Chemical Corporation
(sales revenues by product areas)



- Sulphur and Sulphur Products
- Animal Feed Products
- Agricultural Chemicals
- Phosphates and Mixed Fertilizer Materials

Canadian Occidental Petroleum Ltd.
(sales revenues by product areas)



- Plastics and Resins
- Metal-finishing
- Oil and Gas
- Industrial Chemicals



Research and Development

During 1976, Occidental invested $32.6 million in research and development. The program's emphasis was two-fold: pioneering projects designed to generate new opportunities for Occidental, and technical support of current business operations. The development of energy conserving processes for Occidental's operations was a major theme of the 1976 research and development program.

Construction of a 200 tons per day solid waste demonstration plant in San Diego County, California, was substantially completed at the end of the year, and production of pyrolytic oil from the plant is expected at mid-1977. This product will be used at a nearby San Diego Gas and Electric Company power station.

Solid Waste Recycling Plant

Our research and development subsidiary, Occidental Research Corporation, formed a joint venture with Combustion Equipment Associates, Inc. (CEA) to build and operate an 1,800 tons per day solid waste recycling plant in Bridgeport, Connecticut. This facility, which is scheduled for completion in 1978, will produce CEA's proprietary dry fuel as well as reclaimed glass and aluminum using Occidental's proprietary processes.

Agreements were reached with both the federal Energy Research and Development Administration and the Commonwealth of Kentucky for the support of further development of the Occidental process for production of liquid fuels from coal.

Real Estate and Hotels

Occidental continues to dispose of its real estate investments. In 1976, Occidental Land, Inc., had sales of $20 million of its land inventory, producing a positive cash flow of approximately $13 million to Occidental. This compares with sales of $17 million and cash flow of $4 million for 1975. In addition, operating losses were reduced from $2.7 million in 1975 to $1.7 million in 1976.

Occidental sold, at a modest profit, its equity interests in two 300-room hotels in Monte Carlo, Monaco, and Zurich, Switzerland, both of which had been operating at a loss.

The 500-room hotel in Lagos, Nigeria, a joint venture between Occidental and the Lagos state government, opened for business in March, 1977, and the 120-room motel section operated successfully throughout the past year. Occidental has a modest investment in this project with a group of Nigerian banks providing the bulk of the financing.

Moscow World Trade Center

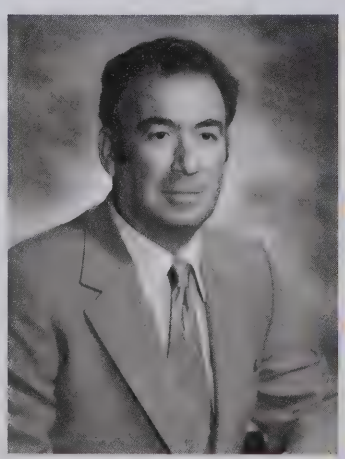
The contract for the design and engineering of the Moscow World Trade Center was completed in March, 1976, and a new contract was signed with V/O Prommashimport, an agency of the U.S.S.R., to provide technical assistance in connection with procurement of materials, equipment and systems from U.S. suppliers.

A substantial portion of the material and equipment purchased in the U.S. has already been delivered and construction by the Soviet builders of both the office building and the residence hotel building is proceeding in accordance with the Soviet schedule.

Financial Review

Total assets of Occidental amounted to approximately $3.9 billion at year end as compared with $3.5 billion at the end of 1975. Shareholders' equity grew to $1.3 billion from the $1.2 billion at December 31, 1975. Net property, plant and equipment at the end of the year totaled $2.3 billion, a $400 million increase over the $1.9 billion at the end of 1975.

Martin Berger, President, Occidental Research Corporation. Right, checking scrubber as construction of San Diego County's new solid waste resource recovery demonstration plant nears completion at El Cajon, California.





ORC laboratory technician adjusting controls on mobile experimental unit which tests direct heat exchange method for extracting energy from geothermal sources.



Working capital provided from operations in 1976 amounted to $365 million as compared with $419 million in 1975, and capital expenditures were $554 million versus $496 million in 1975.

The following is a summary of capital expenditures categorized by Occidental's major operating divisions:

	1976	1975
	(amounts in millions)	
Oil and Gas Division		
International production and exploration	$277	$206
International oil marketing, refining and transportation	6	45
North America	76	64
	359	315
Hooker Chemical Division	82	115
Island Creek Coal Division	108	70
Other	5	(4)
	$554	$496

Crated anhydrous ammonia and phosphoric acid loading arms hoisted into freighter at Long Beach, California, for shipment to Soviet Union port terminals being built under Occidental-U.S.S.R. fertilizer agreement.



In addition, during 1976, approximately $14 million was expended for equipment obtained through lease financing.

New Financings Arranged

During 1976, Occidental arranged new financings totaling in excess of $450 million. This included two successful Eurodollar public issues totaling $60 million and several major financings in the operating divisions.

Hooker Chemical Corporation arranged the placement of $9.6 million in pollution-control financings and Canadian Occidental Petroleum Ltd., its 82 per cent-owned subsidiary, issued $25 million of preferred stock.

The Oil and Gas Division arranged a $175 million Eurodollar financing for development of the Claymore field in the British North Sea.

Occidental completed the program to arrange medium-term bank financings in the major subsidiaries rather than in the parent company. During 1976, Occidental arranged $45 million of revolving credits, with a parent company guarantee, for the Oil and Gas Division and a Eurodollar revolving credit of $100 million, without a parent company guarantee, for the Hooker Chemical Division. At year end, the major subsidiaries had committed but unutilized bank revolving credits totaling $368 million.

Year-End Working Capital Total

Net working capital at year end amounted to $440 million as compared to $545 million at year-end 1975. In addition, the company had $442 million of available long-term bank credit facilities. On December 31, 1976, cash and credit facilities totaled $680 million versus $768 million in 1975.

In 1976, Occidental increased its senior funded debt to $800 million, a $72 million increase from the $728 million of such debt at the end of 1975. At December 31, 1976, the company's ratio of equity-to-senior-funded debt was 1.63-to-1 compared to a ratio of 1.65-to-1 at the end of 1975.

Hooker research laboratory scientist, in project to develop specialty PVC powders, records data from analyzer that measures size and distribution of particles in fine powders.





We intend to achieve and maintain at least a 2-to-1 ratio and expect to make substantial progress in 1977 toward this goal.

Dividend Payments

1976 cash dividends on our common shares were paid quarterly and amounted to $56.4 million for the year, or one dollar per share.

Preferred dividends totaled $25.4 million in 1976 as compared to $23.6 million in 1975.

Employee Compensation and Benefits

Occidental's employees number approximately 33,000, about the same as 1975. Total salaries and wages for 1976 amounted to $490 million, 12 per cent above 1975, and company contributions to employee benefit programs increased by 16 per cent — from $66 million in 1975 to $77 million in 1976.

During 1976, Occidental established a Tax Reduction Act Employees' Stock Ownership Plan (ESOP) which purchased about 111,000 shares of common stock through a trust for eligible employees. This is in addition to the approximately 361,000 common shares purchased in 1976 through Occidental's Thrift Plan. At year end, through these plans, about 11,500 of our employees owned 1,456,000 shares of Occidental stock.

Also during the year, some 125 of the company's executives and supervisory employees purchased about $3 million of common shares in your company through the exercise of stock options.

Organizational Changes

Three new outside directors were added to Occidental's board of directors during 1976 — Sir John Foster, English barrister and businessman; Arthur Krim, senior partner of a New York law firm and chairman of the board of United Artists Corporation, and Samuel B. Stewart, retired vice chairman and presently a director of Bank of America and BankAmerica Corporation and chairman of the bank's general trust committee.

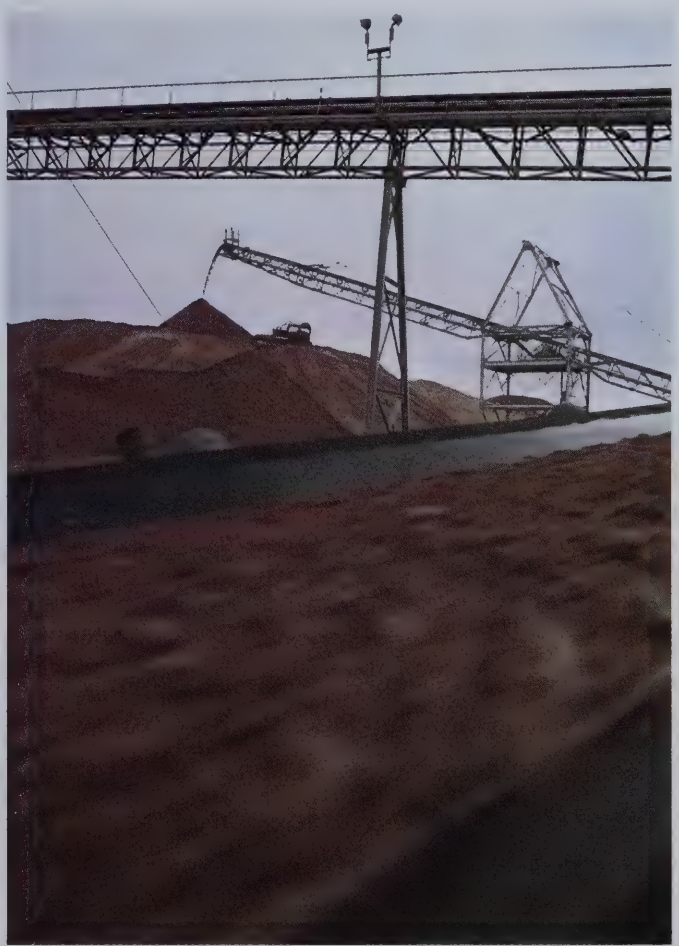
Donald L. Baeder has been elected president and chief executive officer of Hooker Chemical Corporation, replacing A. P. Gates who resigned. Baeder formerly supervised Occidental's research and development activities. James J. Galvin, former vice president and director of W. R. Grace & Co., joined Hooker as president and chief executive officer of the Agricultural Products Group.

Martin Berger, former director of government research laboratories for Exxon Research and Engineering Company, has been elected vice president for research and development of Occidental. Berger is president of Occidental Research Corporation. William F. McSweeny has been elected president of our Washington based subsidiary, Occidental International Corporation. He was formerly senior executive vice president.

Opposite page: Loading coal into railroad hopper cars at Island Creek Coal Division mine. Below, technicians at Oxy Metal Industries (España) S.A. electronics plant in Barcelona, Spain, constructing Udylite rectifiers used for efficient DC power conversion.



Phosphate rock concentrate flows rapidly on huge belt conveyor system to storage area for shipment at Oxychem's Suwannee River mine in north-central Florida.





Occidental Petroleum Corporation Board of Directors, left to right: Samuel B. Stewart, Herman L. Vail, Albert Gore, Morrie A. Moss, Paul C. Hebner, Dr. Armand Hammer*, Joseph E. Baird*, Robert J. Caverly*, Arthur Groman*, Neil H. Jacoby*, Arthur B. Krim, Sir John Foster, K.B.E., Q.C.*

**Member of the Executive Committee.*

Board of Directors

Dr. Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

Robert J. Caverly
Executive Vice President for Operations

Sir John Foster, K.B.E., Q.C.
Barrister at Law, former British Cabinet Member and former Member of Parliament, London, England

Albert Gore
Executive Vice President
Chairman of the Board, Island Creek Coal Company

Arthur Groman
Senior Partner in the Law Firm of
Mitchell, Silberberg & Knupp, Los Angeles

Paul C. Hebner
Vice President and Secretary

Neil H. Jacoby
Professor, formerly Dean, Graduate School of Management
University of California at Los Angeles

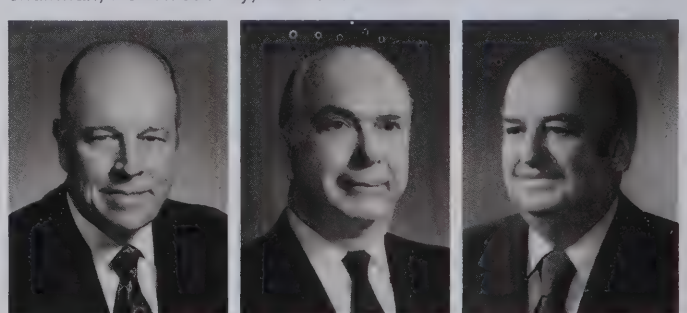
Arthur B. Krim
Senior Partner in the Law Firm of
Phillips, Nizer, Benjamin, Krim & Ballon, New York;
Chairman of the Board, United Artists Corporation

Morrie A. Moss
Chairman, Moss Enterprises, Inc., Memphis

Samuel B. Stewart
Chairman of General Trust Committee and
Director, Bank of America N.T. & S.A. and BankAmerica Corporation, San Francisco

Herman L. Vail
Senior Partner in the Law Firm of
Vail, Steele & Howland, Cleveland

Audit Committee, left to right: Samuel B. Stewart, chairman; Neil H. Jacoby, Morrie A. Moss.



Officers

Dr. Armand Hammer
Chairman of the Board and Chief Executive Officer

Joseph E. Baird
President and Chief Operating Officer

Robert J. Caverly
Executive Vice President for Operations

Donald L. Baeder
Executive Vice President
President and Chief Executive Officer,
Hooker Chemical Corporation

Robert A. Teitsworth
Executive Vice President
Chairman and Chief Executive Officer,
Occidental Oil and Gas Corporation

Thomas D. Jenkins
Executive Vice President
President and Chief Operating Officer,
Occidental Oil and Gas Corporation

Albert Gore
Executive Vice President
Chairman of the Board, Island Creek Coal Company

Stonie Barker, Jr.
Executive Vice President
President and Chief Executive Officer,
Island Creek Coal Company

John J. Dorgan
Executive Vice President — Finance

Angelo Leparulo
Executive Vice President
President, Occidental International Engineering Company

Martin Berger
Vice President for Research and Development
President, Occidental Research Corporation

Paul C. Hebner
Vice President and Secretary

Ronald B. Casriel
Vice President and Treasurer

George M. Cayce
Vice President and Controller

Charles C. Horace
Vice President, Manager of Oil and Gas Drilling and Production

Ronald P. Klein
Vice President and General Counsel

Benedict Lissim
Vice President and Moscow Representative

Richard H. Vaughan
Vice President, Worldwide Exploration

Kenneth G. Wolfe
Vice President — Engineering and Construction

Executive Staff

Paul A. Bailly
President, Occidental Minerals Corporation

Carl W. Blumay
Director of Public Relations

John S. Coey
President, Hooker Chemicals & Plastics Corp.

James J. Galvin
President, Agricultural Products Group

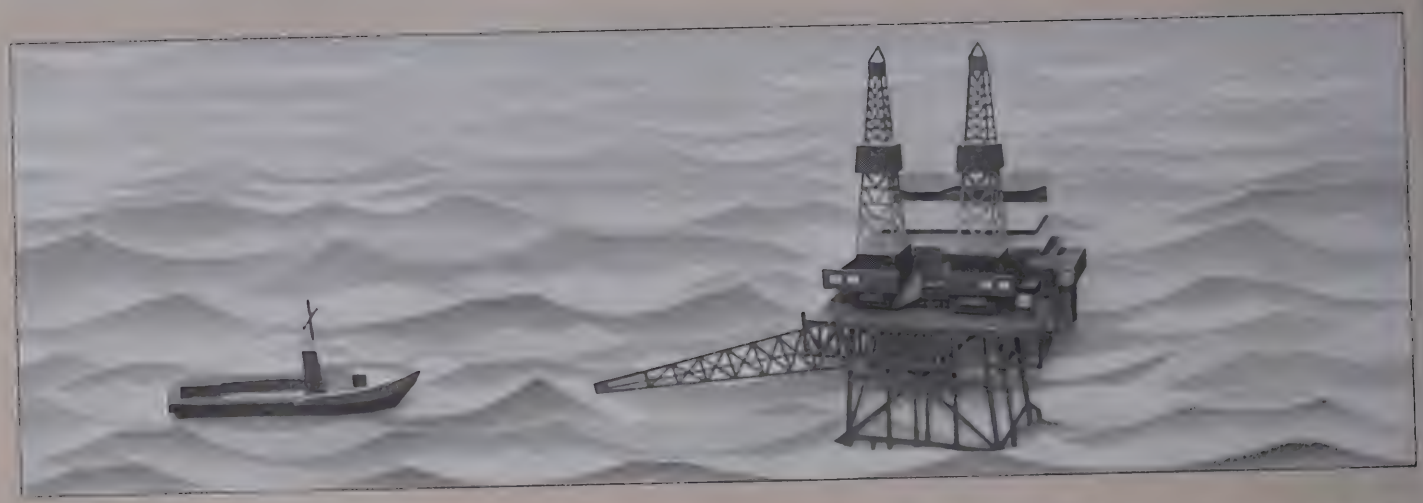
Robert S. MacAlister
President, Occidental International Oil, Inc.

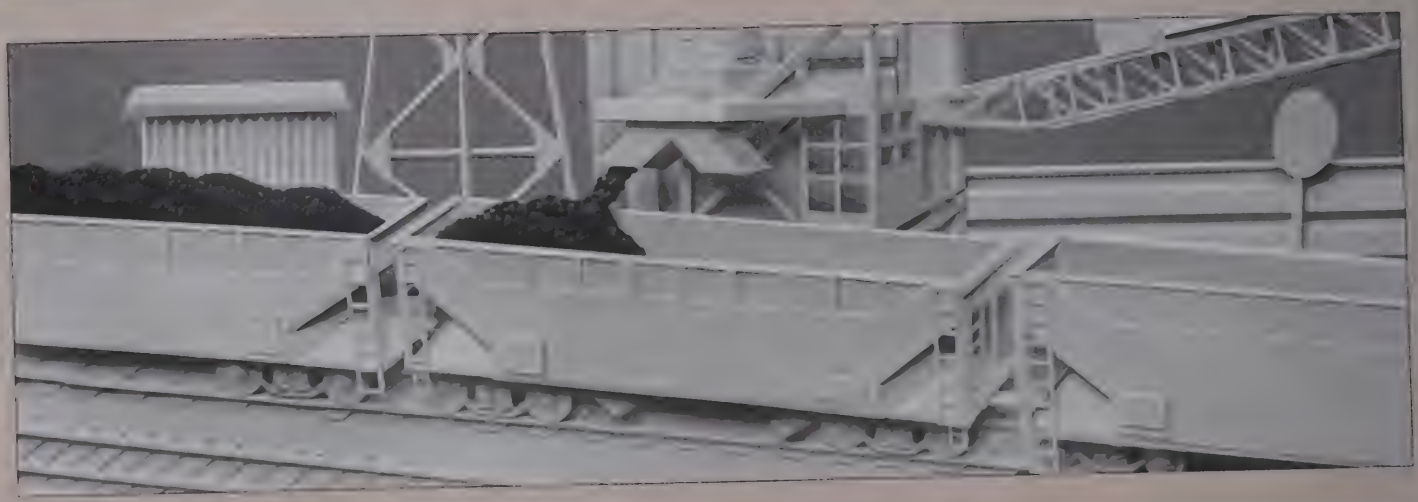
William F. McSweeny
President, Occidental International Corporation

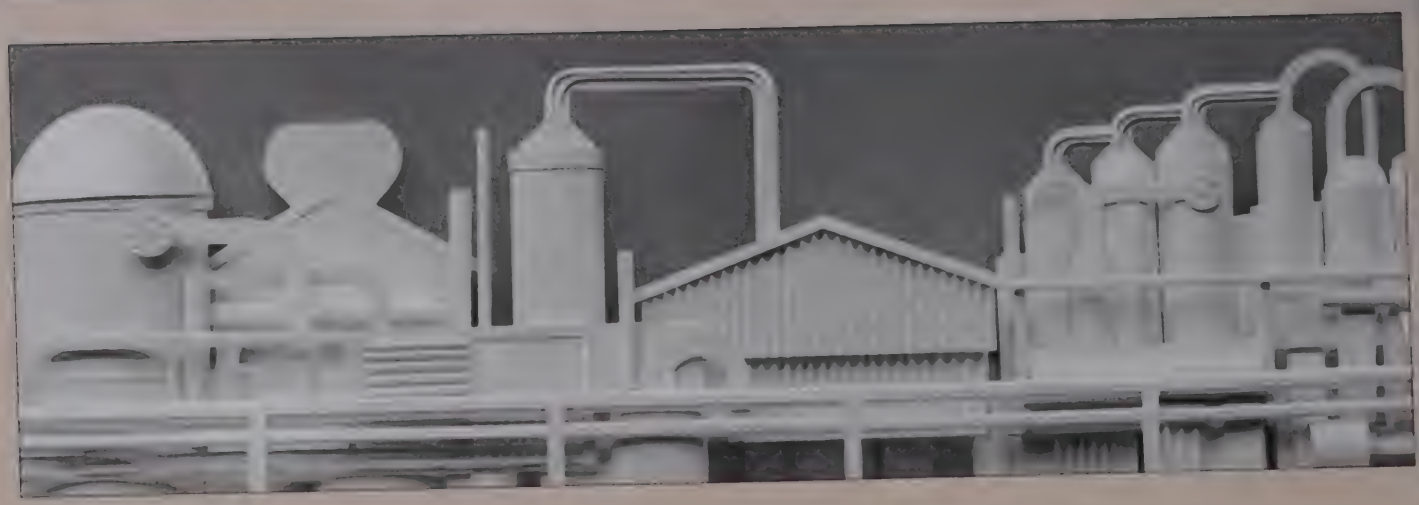
Rear Admiral Tazewell T. Shepard, Jr., USN (Ret.)
Executive Vice President, Occidental International Corporation

Edward B. Thompson
President, Oxy Metal Industries Corporation

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Financial Statements







Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Operations
For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
REVENUES:		
Net sales	$5,534,399	$5,345,938
Interest and other income	75,960	53,224
	5,610,359	5,399,162
COSTS AND OTHER DEDUCTIONS:		
Cost of sales	4,448,136	4,353,699
Selling, general and administrative and other operating expenses	333,773	351,198
Provision for domestic and foreign income, franchise and other taxes (Note 10)	552,203	441,375
Interest and debt expense	109,404	92,292
Less interest capitalized (Note 1)	(27,647)	(19,138)
Minority interests in net income of subsidiaries and partnerships	9,094	5,128
	5,424,963	5,224,554
Income from continuing operations	185,396	174,608
LOSS FROM DISCONTINUED OPERATION (Note 2)	(1,675)	(2,652)
NET INCOME	$ 183,721	$ 171,956
EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE (Note 14):		
Continuing operations	$2.80	$2.69
Discontinued operation	(.03)	(.05)
Net income	$2.77	$2.64
FULLY DILUTED EARNINGS PER SHARE (Note 14):		
Continuing operations	$2.29	$2.24
Discontinued operation	(.02)	(.04)
Net income	$2.27	$2.20

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Balance Sheets
December 31, 1976 and 1975

Assets	**1976**	1975
(amounts in thousands)		
CURRENT ASSETS:		
Cash, including interest-bearing time instruments of $220,116 in 1976 and $299,347 in 1975 (Note 6)	**$ 238,075**	$ 373,021
Receivables —		
Trade, net of reserve for doubtful accounts of $11,153 in 1976 and $10,359 in 1975	**748,584**	595,318
Other	**16,984**	25,214
Inventories (Note 3)	**324,836**	312,854
Prepaid expenses and other	**25,623**	21,591
Total current assets	**1,354,102**	1,327,998
LONG-TERM RECEIVABLES, net of reserve of $4,982 in 1976 and $4,800 in 1975	**20,793**	22,800
INVESTMENT IN, NET OF ADVANCES FROM, OCCIDENTAL LAND, INC. (Note 2)	**101,906**	115,233
INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES (Note 1):		
Investments	**22,340**	20,035
Advances	**8,253**	9,772
	30,593	29,807
PROPERTY, PLANT AND EQUIPMENT, at cost, net of accumulated depreciation, depletion and amortization of $1,172,675 in 1976 and $1,064,942 in 1975 (Notes 4 and 6)	**2,327,621**	1,928,032
OTHER ASSETS:		
Deferred financing costs, less amortization	**16,653**	12,754
Excess of cost of investments in consolidated subsidiaries over net assets at acquisition date, less amortization (Note 1)	**13,522**	23,640
Other	**39,805**	43,108
	69,980	79,502
	$3,904,995	$3,503,372

The accompanying notes are an integral part of these balance sheets.

Liabilities	**1976**	1975
	(amounts in thousands)	
CURRENT LIABILITIES:		
Current maturities of senior funded debt	**$ 68,389**	$ 87,468
Notes payable to banks (Note 5)	**96,428**	35,746
Accounts payable	**541,197**	460,631
Dividends payable	**14,190**	14,412
Domestic and foreign income, franchise and other taxes (Notes 1 and 10)	**57,378**	34,560
Accrued liabilities —		
Commissions and payrolls	**62,265**	71,726
Interest	**17,530**	17,921
Other	**56,302**	60,902
Total current liabilities	**913,679**	783,366
SENIOR FUNDED DEBT, net of current maturities (Note 6)	**799,784**	728,325
CONVERTIBLE SUBORDINATED DEBENTURES (Notes 6 and 11)	**124,994**	124,998
NOTES AND AMOUNTS DUE TO LIBYAN GOVERNMENT AND ITS AGENCIES (Note 4)	**272,000**	272,000
DEFERRED CREDITS AND OTHER LIABILITIES:		
Revenue on sale of future production	**114,795**	122,567
Deferred domestic and foreign income taxes (Notes 1 and 10)	**131,563**	118,756
Contract advances	**21,343**	25,305
Coal workers' compensation reserves, net of current portion (Note 7)	**54,985**	44,789
Other	**41,364**	12,435
	364,050	323,852
CONTINGENT LIABILITIES, MARINE COMMITMENTS AND OTHER COMMITMENTS (Notes 8 and 9)		
MINORITY EQUITY IN SUBSIDIARIES AND PARTNERSHIPS:		
Preferred stocks	**42,868**	18,705
Common shares	**5,576**	5,570
Additional paid-in capital and retained earnings	**76,768**	45,950
	125,212	70,225
SHAREHOLDERS' EQUITY (Notes 1, 6 and 11):		
Preferred stocks, $1.00 par value; authorized 25 million shares in 1976 and 15 million shares in 1975:		
Nonconvertible preferred stocks, subject to mandatory redemption through sinking fund requirements (aggregate preference on involuntary liquidation and mandatory redemption value of $92,500)	**3,175**	3,175
Convertible preferred stocks (aggregate preference on involuntary liquidation of $428,400 in 1976 and $443,600 in 1975)	**4,571**	4,724
Common shares, $.20 par value; authorized 100 million	**11,505**	11,364
Additional paid-in capital (including $73,343 in 1976 and $72,222 in 1975 allocable to nonconvertible preferred stocks)	**574,160**	570,215
Retained earnings	**711,865**	611,128
	1,305,276	1,200,606
	$3,904,995	$3,503,372

The accompanying notes are an integral part of these balance sheets.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 1976 and 1975

	Preferred Stocks (Note 11)	Common Shares (Note 11)	Additional Paid-in Capital (Note 11)	Retained Earnings (Notes 6 and 11)
	(amounts in thousands)			
BALANCE, DECEMBER 31, 1974	$5,237	$11,136	$500,786	$519,393
Net income	—	—	—	171,956
Cash dividends on common shares	—	—	—	(55,741)
Cash dividends on preferred stocks	—	—	—	(23,639)
Issuance of $2.50 preferred stock with warrants, net of expenses	3,000	—	67,292	—
Amortization of discount on nonconvertible preferred stock	—	—	841	(841)
Conversions, exercises of options and other	(338)	228	1,296	—
BALANCE, DECEMBER 31, 1975	7,899	11,364	570,215	611,128
Net income	—	—	—	183,721
Cash dividends on common shares	—	—	—	(56,436)
Cash dividends on preferred stocks	—	—	—	(25,427)
Amortization of discount on nonconvertible preferred stock	—	—	1,121	(1,121)
Conversions, exercises of options and other	(153)	141	2,824	—
BALANCE, DECEMBER 31, 1976	$7,746	$11,505	$574,160	$711,865

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries
Consolidated Statements of Changes in Financial Position
For the years ended December 31, 1976 and 1975

	1976	1975
	(amounts in thousands)	
SOURCE OF FUNDS:		
Net income	$ 183,721	$ 171,956
Add (deduct) — Items not using (providing) working capital —		
Depreciation, depletion and amortization	153,810	151,156
Write-off of Venezuelan and Nigerian operations (Note 4)	—	60,878
Equity in earnings of unconsolidated subsidiaries	(8,619)	(4,408)
Minority interests in net income of subsidiaries and partnerships	9,094	5,128
Deferred tax provision (Note 10)	6,972	9,742
Provision for coal workers' compensation reserves, net (Note 7)	10,196	20,104
Other, net	9,523	4,064
Working capital provided from operations	364,697	418,620
Proceeds from —		
Notes and amounts due to Libyan government and its agencies (Note 4)	—	272,000
Long-term borrowings	141,855	247,751
Sale of future production	—	60,000
Disposal of assets	32,325	6,012
Collection of long-term receivables	7,380	8,277
Stock options and warrants exercised	2,810	586
Issuance of stock to minority shareholders of consolidated subsidiaries	24,168	31,249
Reimbursement for capital project expenditures, net	3,965	43,898
Issuance of preferred stock and warrants	—	70,292
Cash contribution by joint venture partner	27,226	—
Investments and advances, net	18,804	6,943
Other, net	5,872	1,679
	629,102	1,167,307
USE OF FUNDS:		
Additions to property, plant and equipment	553,623	495,720
Payment of cash dividends	81,863	79,380
Reduction of senior funded debt	72,119	434,735
Liquidation of production payments and prepaid revenues	7,772	12,942
Additions to long-term receivables	6,576	15,280
Additions to other assets	11,358	19,650
Liquidation of capital project construction financing, net	—	28,631
	733,311	1,086,338
INCREASE (DECREASE) IN WORKING CAPITAL	$(104,209)	$ 80,969
CHANGES IN WORKING CAPITAL BY COMPONENT — increase (decrease):		
Current assets —		
Cash	$(134,946)	$ 107,436
Receivables and prepaid expenses and other	149,068	(140,500)
Inventories	11,982	(9,622)
	26,104	(42,686)
Current liabilities —		
Notes payable and current maturities of senior funded debt	(41,603)	14,544
Accounts payable, dividends payable and accrued liabilities	(65,892)	51,837
Domestic and foreign income, franchise and other taxes	(22,818)	57,274
	(130,313)	123,655
INCREASE (DECREASE) IN WORKING CAPITAL	$(104,209)	$ 80,969

The accompanying notes are an integral part of these statements.

Occidental Petroleum Corporation and Consolidated Subsidiaries/Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Occidental Petroleum Corporation and its significant subsidiaries. All material intercompany accounts and transactions have been eliminated. There were no significant intercompany profits or losses on transactions with affiliates not consolidated.

Investments in unconsolidated subsidiaries are carried at an amount equivalent to the equity in their net assets. The equity in earnings of unconsolidated subsidiaries is included in "Interest and other income" in the consolidated statements of operations.

Included in the consolidated financial statements are the following items pertaining to operations based outside the United States and Canada (approximate amounts in thousands):

	1976	1975
Assets	$1,900,000	$1,300,000
Liabilities	980,000	760,000
Net sales*	2,600,000	2,260,000
Income*	134,000	10,000

*The net sales and income figures include export operations of domestically-based companies. The income amounts represent income from continuing operations (before interest income and expense, taxes on income, except for Libyan taxes, discontinued operation, and unallocated corporate costs).

Translation of foreign currencies

The net gain (loss) on the translation of foreign currencies included in the consolidated statements of operations was as follows (amounts in thousands):

1976	$ (999)
1975	1,338

Inventories

Substantially all inventories, excluding materials and supplies, are stated at cost determined on the last-in, first-out method (LIFO) and did not exceed market. Materials and supplies are stated using the first-in, first-out (FIFO) and average methods. The cost elements of the various categories of inventories are as follows: (1) manufacturing inventories — material, labor and factory overhead; (2) crude oil and petroleum products — production, transportation and refining costs (where applicable); and (3) coal inventory — production costs.

Capitalization, depreciation, depletion and amortization of property, plant and equipment

Occidental capitalizes property additions, major renewals and betterments and major improvements at cost. Maintenance and repairs are charged to expense as incurred. Upon the retirement of property, its cost and related accumulated depreciation are removed from the property accounts and the resulting gain or loss is reflected in income, except that no gain or loss is recognized upon the sale or disposition of items included in the oil and gas full-cost pools. Depreciation of plant and equipment has been provided using primarily the straight-line method based on estimated useful lives.

All costs of exploring for and developing oil and gas reserves in North America are capitalized under the full-cost method of accounting and charged to operations on a unit-of-production basis over the estimated life of future production. Oil and gas operations outside North America are also accounted for under the full-cost method on a country-by-country basis.

It is Occidental's policy to provide reserves against the future write-off of costs of foreign oil and gas operations in which expenditures are determined not to be recoverable.

Occidental capitalizes interest during plant construction, mine development and oil and gas reserve development since capitalization provides a more realistic matching of expense with the revenue generated by the asset. Such interest is capitalized at a rate equal to the average cost of funds borrowed during the period of construction or development and is amortized over the depreciable life of the asset after it is placed in service. The effect on net income of capitalizing interest as compared to charging interest to expense as incurred was as follows (amounts in thousands):

	1976	1975
Interest capitalized	$27,647	$19,138
Amortization of capitalized interest	(1,989)	(1,988)
Tax provision	(13,217)	(8,232)
Increase in net income	$12,441	$ 8,918

Cost and amortization of other assets

Deferred financing costs are amortized on the basis of the terms of the related financing agreements. Amortization is included in the consolidated statements of operations under the caption "Interest and debt expense."

The excess of cost of investments in consolidated subsidiaries over net assets at acquisition date is being amortized over seven years, which represents the estimated period to be benefited.

Domestic and foreign income, franchise and other taxes

Occidental files consolidated U.S. federal income tax returns including its 80 per cent or more-owned domestic subsidiaries. Deferred income tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. Deferred income taxes are not provided for deferred DISC income and unremitted foreign earnings considered to be of a more permanent nature. The approximate accumulated amounts on which no U.S. income taxes have been provided were as follows (amounts in thousands):

	1976	1975
Deferred DISC income	$ 42,000	$ 36,000
Unremitted foreign earnings	120,000	105,000

Any U.S. taxes payable on foreign earnings which may be remitted will be substantially reduced by foreign tax credits.

Investment tax credits are recognized as a reduction of the provision for income taxes in the year in which the assets, which gave rise to the credits, were placed into service. At December 31, 1976 and 1975, Occidental had $52,200,000 and $43,800,000, respectively, of such investment tax credits available for offset against future income tax payments through 1983 and 1982, respectively.

Research and development costs

During 1976 and 1975, research and development costs, which were charged to operations as incurred, amounted to approximately $32,595,000 and $25,231,000, respectively.

Retirement plans

Occidental and its subsidiaries have several noncontributory pension plans covering substantially all of their employees. As determined in accordance with actuarial studies, pension costs consist of normal costs for the current period, amortization of unfunded actuarial liability and interest thereon. It is Occidental's policy to fund pension costs accrued.

2. Discontinued operation

During 1976 and 1975, Occidental's wholly-owned real estate subsidiary, Occidental Land, Inc., continued a policy of disposing of its real estate properties which consist primarily of undeveloped land and a planned community development. Further investments may be required in the disposition of some of the properties or in order to maximize the return on others; however, in the opinion of management, Occidental's current and future investments will be fully realizable. Occidental Land, Inc. is unconsolidated since the operations are not similar to those of Occidental and its consolidated subsidiaries. The loss from this operation was approximately $1,675,000 and $2,652,000 in 1976 and 1975, respectively, and is shown as "Loss from discontinued operation" in the accompanying consolidated statements of operations.

3. Inventories

Inventories, expressed as percentages prior to the application of the LIFO reserve, consisted of finished goods (55 and 56 per cent at December 31, 1976 and 1975, respectively) and raw materials and work in process (45 and 44 per cent at December 31, 1976 and 1975, respectively). The inventory amounts used in the determination of cost of sales were as follows (amounts in thousands):

1976	$226,265
1975	225,542
1974	264,425

Under current cost methods, inventories would have been $71,735,000 and $70,108,000 higher at December 31, 1976 and 1975, respectively.

During 1976 and 1975, Occidental reduced certain inventory quantities resulting in a liquidation of applicable LIFO inventory layers. The effect of the liquidation on cost of sales, net income and the related per share amounts was as follows (amounts in thousands, except per share amounts):

	1976	1975
Decrease in cost of sales	$8,412	$10,433
Increase in net income	4,242	5,425
Increase in earnings per common and common equivalent share	$ .07	$ .10
Increase in fully diluted earnings per share	.05	.07

4. Property, plant and equipment

Property, plant and equipment consisted of the following (amounts in thousands):

	1976	1975
Oil and gas operations—		
International production and exploration	$1,199,542	$ 923,740
International refining and transportation	233,564	225,179
North America	483,216	407,216
Chemical operations	955,825	905,873
Coal operations	628,149	530,966
	3,500,296	2,992,974
Less—accumulated depreciation, depletion and amortization	1,172,675	1,064,942
	$2,327,621	$1,928,032

In August, 1973, the government of Libya nationalized 51 per cent of the assets of Occidental's wholly-owned subsidiary, Occidental of Libya, Inc. (Oxylibya). As compensation, Occidental received approximately $136,000,000, which was estimated to equal 51 per cent of the book value of the assets as determined for Libyan tax purposes. This amount is subject to adjustment after audit by the Libyan government. Occidental believes that it maintains an adequate reserve for any adjustment which may result. Occidental was not compensated for approximately $60,000,000 of costs including preacquisition costs, deferred start-up costs and capitalized construction period interest. Through September 30, 1975, these costs were being amortized based on estimated total production during the anticipated life of sales contracts because it was anticipated that they would be recovered primarily from the contract customers. As a result of a dispute, the Libyan government suspended deliveries of Oxylibya's crude from the Zueitina terminal on October 1, 1975. At September 30, 1975, the unamortized balance of the uncompensated costs was approximately $28,400,000 and the amortization of such costs was $14,900,000 for the nine months then ended.

Under a settlement of the dispute reached in December, 1975, the Libyan government permitted Oxylibya to resume deliveries and agreed on allowable rates of production over a ten-year period. As part of the settlement agreement, notes and amounts owing by Oxylibya to the Libyan government and the Libyan National Oil Corporation as royalties, taxes and trade payables will not at any time be less than $272,000,000. Amounts due in excess of $272,000,000 are included in current liabilities. Occidental's net investment in property, plant and equipment in Libya at December 31, 1976 and 1975, including the unamortized balance of uncompensated costs mentioned above, approximated $270,521,000 and $254,577,000, respectively, and, since December, 1975, are being amortized over future production.

At December 31, 1976 and 1975, Occidental had net investments in property, plant and equipment of approximately $600,689,000 and $362,141,000, respectively, for international production and exploration, exclusive of Libya. The amounts capitalized by major geographical area were as follows (amounts in thousands):

	1976	1975
United Kingdom	$432,285	$238,805
Peru	141,710	108,202
All others	26,694	15,134
	$600,689	$362,141

In the United Kingdom, Occidental has two major commercial oil field discoveries, the Piper field and the Claymore field.

Occidental owns a partially-completed 125,000 barrel-per-day refinery at Canvey Island, England, about 30 miles east of London. Construction of certain processing units and other portions of the refinery was suspended in March, 1975, to consider upgrading the facility's planned output, in line with the United Kingdom's petroleum policy objectives, and to evaluate alternative configurations for the refinery in light of the potential market for various refined products. Studies by independent consultants indicate that a significant additional investment will be required to complete the refinery in an economically attractive configuration. As of December 31, 1976 and 1975, Occidental had invested $112,731,000 and $106,915,000, respectively, in the refinery. Occidental has granted an option to a European petroleum company to acquire a one-third interest in the Canvey refinery capacity.

In Peru, Occidental has made six oil discoveries. A trans-Andean pipeline and a connecting pipeline to Occidental's fields are now under construction by the Peruvian national oil company (Petroperu). Occidental and Petroperu have agreed upon the tariff arrangements for Occidental's use of the pipeline system, including an annual payment of $21,775,000 for 15 years or until Occidental's interest under its production sharing agreement is surrendered or terminated, whichever occurs earlier.

The above investments in foreign countries are all subject to the uncertainties of actions by these countries, which could significantly affect Occidental's operations.

In August, 1975, a nationalization law was enacted in Venezuela providing for reversion of oil interests to the Venezuelan government on December 31, 1975. This law applied to Occidental's interests under its service contracts and provided for compensation for investment in properties which had been determined to be commercial. Occidental's investment at December 31, 1975, in property subject to a claim of compensation was approximately $43,900,000. Negotiations with respect to such compensation were suspended in October, 1975, while the Venezuelan government investigated allegations that Occidental had made improper payments to Venezuelan officials. Because Occidental was unable to predict that compensation would be received, its entire net investment in Venezuela of approximately $73,428,000 was written off at December 31, 1975.

In Nigeria, Occidental's discussions and negotiations with possible participants and the Nigerian government did not result in a basis that would justify further investment by Occidental to develop certain oil discoveries. Therefore, Occidental relinquished its last license and wrote off its investment in Nigeria of approximately $33,330,000 at December 31, 1975.

It has been Occidental's policy to provide reserves against the future write-off of costs of foreign oil and gas operations. The write-off of Occidental's net investment in Venezuela and Nigeria fully utilized the reserve of $45,880,000 at December 31, 1975, and resulted in a tax benefit of $41,500,000. During 1976, a reserve of approximately $18,000,000 was provided, and, at December 31, 1976, was fully utilized to reduce the carrying value of Occidental's 100,000 barrel-per-day refinery in Belgium.

5. Notes payable to banks

Occidental has both formal and informal lines of short-term credit with foreign banks available for working capital purposes. The unused portion of these lines approximated $22,790,000 and $18,089,000 at December 31, 1976 and 1975, respectively.

At December 31, 1976 and 1975, Occidental had outstanding with foreign banks short-term notes payable of $46,428,000 and $35,746,000, at weighted average interest rates of 33.0 per cent and 15.3 per cent, respectively. During 1976 and 1975, the maximum amounts outstanding at any month end were $46,428,000 and $36,041,000, the average borrowings were $34,148,000 and $33,126,000, and the weighted average interest rates for the average short-term borrowings were 22.8 per cent and 15.7 per cent, respectively. The weighted average interest rates for the average short-term borrowings were computed by dividing the total expense on all short-term notes by the average notes payable outstanding. The higher interest rates in 1976 were primarily attributable to inflation in South America, where most of the funds were borrowed.

Occidental has formal revolving credit commitments with various domestic banks which have extended credit commitments for periods varying from one to seven years. At December 31, 1976, borrowings under these credit lines are classified as short-term notes payable as it is Occidental's intention to make repayment within one year. At December 31, 1976, Occidental had $50,000,000 outstanding under these credit arrangements at a weighted average interest rate of 6.0 per cent. There were no such borrowings classified as short-term notes payable during 1975.

6. Long-term debt

Long-term debt at December 31, 1976, consisted of the following:

	Interest Rate (percent)	Amounts (in thousands)
Secured:		
Piper field notes secured by mortgages on property, equipment and other assets with an original cost of $252,189,000	6 5/16 - 6 7/16	$147,208
Claymore field notes secured by mortgages on property, equipment and other assets with an original cost of $122,518,000	6 13/16 - 6 15/16	38,835
Notes due through 1986, secured by mortgages on property, plant and equipment with an original cost of $25,000,000	5 7/8	16,975
Other notes due through 1989 secured by mortgages on property, plant and equipment	6 - 14	6,559
Unsecured:		
Notes due 1979-1993	8 3/4	105,000
Eurocurrency issues due through 1989	6 1/2 - 10	195,420
Notes due through 1978	3 5/8 - 8	65,086
Notes due 1979-1983	3 5/8 - 11	164,868
Notes due 1984-1989	4 5/8 - 7	44,928
Sinking fund debentures due through 1991	4 3/8 - 5 1/4	19,361
Others due through 2001	various	63,933
		868,173
Less: current maturities		68,389
Senior funded debt		$799,784
Subordinated debt—convertible debentures due 1982-1996 (Note 11)	7 1/2	$124,994

Repayment of Piper and Claymore field notes, secured by mortgages on property, equipment and other assets being developed in the United Kingdom (North Sea), is related to production levels. If certain specified production and reserve levels have not been established in the Piper field, repayment of the $147,208,000 must be made in January, 1978; and, in any event, must be repaid by September 30, 1983. Repayment of the $38,835,000 is related to production and reserve levels in the Claymore field, but, in any event, must be made by December 31, 1982.

Minimum principal payments on senior funded debt, including sinking fund requirements, after December 31, 1977*, are as follows (amounts in thousands):

1978	$229,275*
1979	70,021
1980	43,198
1981	97,495
1982	126,453
Thereafter	233,342
	$799,784

*Includes $186,043,000 for repayment under Occidental's Piper and Claymore field development financings. Based on current production forecasts, all or a portion of this amount may be repaid in 1977. However, since repayment of these notes is measured by future transactions, there are no current maturities at December 31, 1976.

The interest rate on certain notes may fluctuate from time to time in accordance with money-market conditions. Certain of the above indebtedness has been borrowed under agreements which contain covenants relating to maintenance of financial ratios, borrowings, declaration of cash dividends, etc. At December 31, 1976, under the most restrictive of those covenants, retained earnings of approximately $389,000,000 were available for the payment of cash dividends to preferred and common shareholders.

Occidental had unused domestic and foreign lines of long-term committed bank credit aggregating $368,000,000 and $395,000,000 at December 31, 1976 and 1975, respectively, with commitment fees of up to ½-of-1 per cent per annum. In addition, Occidental had unused foreign lines of committed bank credit of $138,957,000 and $22,000,000 at December 31, 1976 and 1975, respectively, available for payment of development costs, in the Piper and Claymore fields, as they are incurred.

During 1976 and 1975, under informal arrangements, Occidental maintained on deposit with certain domestic banks compensating balances for domestic long-term credit facilities approximating 10 per cent of the average credit commitment and an additional 10 per cent of the average amount outstanding. Credit commitments and amounts outstanding from which compensating balances were computed were as follows (amounts in thousands):

	1976	1975
Credit commitments —		
Average during the year	$256,000	$232,000
At year end	257,000	252,000
Amount outstanding —		
Average during the year	5,200	117,400
At year end	35,900	7,800

7. Workers' compensation reserves

Occidental's subsidiary, Island Creek Coal, Inc. (Island Creek), is subject to the Federal Coal Mine Health and Safety Act of 1969, as amended, and the related state workers' compensation laws. In general, these laws provide for the payment of life-time benefits to coal miners disabled by pneumoconiosis (black lung) and to their widows and/or dependents to age 18, after January 1, 1974. Included in the December 31,1976, consolidated balance sheet are coal workers' compensation reserves totaling $61,000,000, which according to a recent actuarial study, adequately covers Island Creek's liability for the present value of claims filed, discounted at 4 per cent. The study also estimated a potential past service cost of approximately $84,000,000 based upon the current work force and former employees who may file claims. Should the federal law, due to expire in 1981, not be extended, this estimate and the estimate of the present value of claims filed would be materially reduced. Island Creek has under way actuarial studies to evaluate the adoption of a pension-type accounting approach which would include the amortization of past service cost over the life of the mining population, estimated to be 30 years. In management's opinion, such amortization would not have a material effect on the future operations of Island Creek.

8. Marine commitments and operations

At December 31, 1976 and 1975, Occidental's marine operations consisted of three owned tankers and approximately ten and fifteen vessels, respectively, under charter hire. Minimum charter hire commitments, net of relets, aggregated approximately $119,468,000 at December 31, 1976, of which $36,621,000 is due in 1977, $32,751,000 in 1978, $25,951,000 in 1979, $14,680,000 in 1980 and $9,465,000 in 1981.

Overcapacity, particularly for large tankers, has resulted in continued depressed tanker charter rates near to, or at, historic lows. Approximately $107,340,000 (approximately 56 per cent of which was valued at the U.S. exchange rate for Swiss Francs on December 31, 1976, and will be subject to fluctuation with changes in the exchange rate) of the charter hire commitments at December 31, 1976, related to two very large tankers and one large tanker, none of which is presently subchartered to others on a long-term basis.

While these three large tankers are currently estimated to have revenues substantially less than the cost to operate, management estimates the total revenues from operations of all the tankers will not result in a significant loss through 1979. The substantial losses for the large tankers are expected to be reduced by the profits on tankers presently on charter to others and estimated profits on small tankers presently in demand at higher charter rates. Total marine losses from tankers used to carry petroleum and goods of persons other than Occidental were approximately $11,800,000 in 1976 and $8,900,000 in 1975.

9. Contingent liabilities and commitments

Lawsuits, claims and related matters

A number of class actions and derivative actions were filed against Occidental, its chairman and others in 1971. These actions contain allegations, among others, concerning improper recognition of income by Occidental, chiefly in certain real estate and coal transactions and other matters in the years 1969 and 1970.

A number of other class, individual and derivative

actions were filed against Occidental, its chairman and others in late 1973 and 1974. These actions contain allegations, among others, that the defendants omitted or misrepresented material facts relating primarily to Occidental's income from tanker operations in 1971 and its exposure to losses and potential writedowns thereon in its 1970 annual report to shareholders, in connection with securities offerings in June and July, 1971, and in certain subsequent press releases.

Each group of actions was brought following the entry of a consent injunction in a civil action brought by the Securities and Exchange Commission, the first based upon alleged violations of the antifraud provisions of the securities laws, and the second based upon alleged violations of the prospectus delivery and antifraud provisions of such laws.

The class and individual actions seek damages in amounts not yet ascertainable which were purportedly suffered by persons who purchased or held Occidental securities, or, alternatively, in the case of the more recent actions, seek recission. Occidental has been advised by special counsel that, based upon the information which was accumulated in connection with the SEC proceedings and which has otherwise come to their attention, Occidental has substantial defenses to these actions. Such counsel, however, are not in a position to express a judgment as to the ultimate outcome of the actions or the amount of potential loss, if any. The derivative actions do not seek damages against Occidental. In the opinion of the management of Occidental, based in part upon the current views of Occidental's special counsel expressed to management, the pending actions are not likely to have a material adverse effect upon the consolidated financial position of Occidental or result in a substantial impairment of its operations.

In 1967, four suits were filed in the United States District Court for the Southern District of New York against Occidental in conjunction with its purchase of stock of Kern County Land Company and subsequent grant of an option to Tenneco Corporation to purchase the Tenneco stock to be issued to Occidental following the acquisition of Kern by Tenneco. Three of the suits have been dismissed in their entirety. All the claims in the remaining lawsuit, except one, have likewise been dismissed. The remaining claim seeks to recover all or part of the sum of $8,866,230 Occidental received for the option on the theory that such payment, in whole or in part, represented the consideration for the sale of Occidental's vote in connection with the above acquisition. Occidental has been advised by its special counsel that, in their opinion, Occidental has meritorious defenses and should prevail. Occidental has counterclaims pending in the same lawsuit in a sum exceeding the plaintiffs' claim.

In December, 1974, Occidental's subsidiary, Hooker Chemicals & Plastics Corp., was named as co-defendant with Union Carbide Corporation in an action filed in the United States District Court for the Eastern District of Louisiana. Twenty-four plaintiffs have pending claims, alleging injuries through emissions of hazardous, toxic chemicals from Hooker's Taft, Louisiana, plant and the nearby Union Carbide facility and seeking damages totaling $34,600,000. Four additional actions were subsequently filed by five plaintiffs in the same court, alleging injuries as a result of the same or similar emissions and seeking damages totaling $3,218,545. Nine actions involving similar allegations brought by most of the same plaintiffs and 45 other individuals are pending in the Louisiana state courts for alleged damages, in addition to damages claimed in the United States District Court, totaling $35,589,255. Twelve additional actions are pending in the Louisiana state courts to recover workmen's compensation benefits and payments. In the opinion of the management of Occidental, based in part upon the current views of its special counsel expressed to management and taking into account available insurance coverages, the various claims in the federal and state court actions are not likely to have a material adverse effect upon the consolidated financial position of Occidental and its subsidiaries.

In March, 1975, Nelson Bunker Hunt filed an action in the United States District Court for the Southern District of New York against Occidental, seven major international oil producers and two other Libyan producers. The plaintiff's concessionary interest in Libya was nationalized and his claims arise out of a mutual assistance agreement made in 1971 which is no longer in effect. As against Occidental, the plaintiff claimed to have been damaged by unreasonable restraint of trade relating to (a) an alleged failure of all the defendants to comply with their obligations under the mutual assistance pact to supply oil and request Libya to provide Hunt with similar terms of settlement and (b) an alleged concurrence by all defendants in a limitation on the resale of the crude oil to be supplied to Hunt under the pact. In November, 1975, the court decided, *inter alia,* to stay proceedings on any claims based solely on breach of contract. The plaintiff has not fully defined his damages but, on the claims remaining in the case after the court's decision, claims damages, before trebling, for loss of profit of not less than $125,000,000 for crude oil allegedly covered by the pact. The pact provides for liquidated damages for any crude oil that may not have been delivered. It is the opinion of Occidental's special counsel that Occidental has meritorious defenses to the various claims and should not incur any material liability with respect thereto.

Occidental's subsidiary, Hooker Chemicals & Plastics Corp., has been named as co-defendant in various actions filed from September, 1975, through February, 1977, in the United States District Court for the Eastern District of Virginia which relate directly or indirectly to the manufacture of the pesticide Kepone by Life Science Products Company of Hopewell, Virginia. Hooker sold to Allied Chemical Corporation certain ingredients which were delivered to and used by Life Science in the manufacture of Kepone. In 14 pending actions brought by 29 plaintiffs, the complaints include allegations of bodily injury to the plaintiffs caused by exposure to Kepone and to raw materials supplied by Allied and Hooker used in the production of Kepone, and seek damages totaling $52,000,000. Also pending is an admiralty suit filed against Life Science, Allied, Hooker and others by 400 plaintiffs engaged in the seafood industry in the navigable waters of the James River, seeking damages totaling not less than $22,872,666 as a result of alleged contamination of seafood and oyster grounds through the pollution of the James River by Kepone. In addition, on February 9, 1977, an action was filed by a commercial seafood grower, packer and wholesaler against Allied, Life Science, Hooker and the City of Hopewell alleging damage to the plaintiff's business as a result of Kepone pollution in the Chesapeake Bay and rivers flowing into it and seeking

damages in the amount of $5,000,000 plus a claim for treble damages under a Virginia statute. In the opinion of the management of Occidental, based in part upon the current views of its special counsel expressed to management and taking into account available insurance coverages, these actions are not likely to have a material adverse effect upon the consolidated financial position of Occidental and its subsidiaries.

In March, 1976, Occidental Corporation of Saudi Arabia, a wholly-owned subsidiary of Occidental, filed a request for arbitration with the Court of Arbitration of the International Chamber of Commerce against the General Petroleum and Mineral Organization of Saudi Arabia (Petromin) and the Saudi Arabian Fertilizers Company (SAFCO) under a 1964 agreement. Under the agreement, Occidental agreed to make the necessary arrangements for the construction and supply of a urea plant and pipeline by third parties and assumed certain responsibilities in connection with the technical management and operation of the plant and its related offsite installations. Occidental is seeking compensation of approximately $3,300,000 under the agreement for the years 1974 and 1975, as well as affirmation of Occidental's right of first refusal to participate in the expansion of the urea plant and the building of new fertilizer plants. Petromin and SAFCO have conceded the existence of Occidental's right of first refusal. However, in their response and counterclaim, filed in June, 1976, they seek $7,500,000 damages because of alleged errors in plant construction and an unspecified sum for abnormal maintenance costs and expenses. In addition, for past and future profit loss due to failure of the plant to achieve its anticipated output, they claim damages, over the 20-year term of the agreement, of $178,430,000. Finally, Petromin and SAFCO ask for a declaration that Occidental is in default of material obligations under the agreement. Occidental's position is that it has fully discharged its obligations to date and, in any event, is not liable for loss of profits or other consequential damages. In the opinion of the management of Occidental, the counterclaim is not likely to have a material adverse effect upon the consolidated financial position of Occidental or result in a substantial impairment of its operations.

In July, 1976, a purported class and derivative action was filed in the United States District Court for the Central District of California against Occidental and certain members of its board of directors alleging, among other things, that Occidental has engaged in corrupt business practices, including the use of corporate funds for illegal political contributions, bribes and kickbacks. The complaint (which does not claim any monetary damages from Occidental) seeks, among other things, a permanent injunction restraining the use of corporate funds for improper payments, the filing and dissemination of false and misleading financial reports and proxy statements, and the entering of false entries on Occidental's books or maintaining or using secret assets; a preliminary injunction against the use of corporate funds on behalf of any of the individual defendants or other employees of Occidental in connection with federal government investigations of corrupt business practices; and an order of the court declaring invalid the election of the individual defendant directors and removing such directors from the board pending a new election. The derivative portion of the action seeks damages on behalf of Occidental against the individual defendants, including restitution of all corporate monies improperly disbursed. The proceedings in this action have not progressed far enough to allow Occidental's special counsel to express any opinion as to the merits of the claims or the outcome of the litigation. Occidental's management is of the opinion, based in part upon the current views of its special counsel expressed to management, that this action is not likely to have a material adverse effect upon the consolidated financial position of Occidental and its subsidiaries.

There are various other lawsuits pending against Occidental and its subsidiaries, some of which involve substantial amounts. While at this time it is impossible to determine the ultimate legal liabilities which may arise from such other litigation, in the opinion of Occidental's General Counsel such lawsuits are not likely to result in losses the aggregate amount of which would have a material adverse effect upon the consolidated financial position of Occidental and its subsidiaries or result in a substantial impairment of their operations.

Governmental regulations

Occidental's domestic oil and gas operations are subject to the regulations of governmental agencies including the Federal Energy Administration (FEA) with respect to crude oil prices, profit margins and allocation. The FEA regulations are difficult to interpret. The records of Occidental's wholly-owned subsidiary, The Permian Corporation, are currently being audited by the FEA. In the opinion of management, any FEA claim will not result in any significant adverse effect upon the consolidated financial position of Occidental and its subsidiaries.

Lease commitments

Occidental has various commitments relating to leases extending for varying periods of time. Average minimum annual rentals, net of an immaterial amount of sublease rentals, for noncancellable leases in force at December 31, 1976, covering operating, transportation, office and storage facilities (excluding oil and gas, coal and mineral leases and marine charter hires) due after December 31, 1976, are as follows (amounts in thousands):

	Financing Leases	Other Leases
1977	$ 32,862	$ 15,606
1978	31,863	13,868
1979	30,327	10,538
1980	29,588	8,841
1981	29,034	6,961
1982-1986	130,819	18,496
1987-1991	84,935	3,661
1992-1996	52,535	1,151
Thereafter	3,487	5,925
	$425,450	$ 85,047

If all noncapitalized financing leases were capitalized, related assets were amortized on a straight-line basis and interest costs were accrued on the basis of the outstanding lease liability, the effect on net income would be less than three per cent of the average net income for the three years ended December 31, 1976 and 1975, respectively.

At December 31, 1976 and 1975, the present values of the minimum lease commitments and sublease rentals for all noncapitalized financing leases in the aggregate and by major categories of properties were as follows (dollar amounts in thousands):

Category	1976 Leases	Sublease Rentals	Interest Rate Weighted Average	Interest Rate Range
Oil and gas operations —				
International production and exploration:				
Leases, exploration costs and well equipment	$ 1,721	$ —	10.0%	10.0%
Other	1,982	—	12.0%	12.0%
	3,703	—		
International refining and transportation:				
Refineries and terminals	1,325	—	8.6%	8.5%-12.6%
Other	100	190	12.0%	12.0%
	1,425	190		
Chemical operations —				
Land and land improvements	93	—	6.0%	4.9%- 8.2%
Buildings	12,300	5,631	6.5%	4.9%- 9.5%
Machinery and equipment	211,129	—	7.5%	2.6%-15.0%
Other	4,806	59	7.4%	6.8%- 9.5%
	228,328	5,690		
Coal operations —				
Mining equipment and related facilities	22,745	—	7.8%	5.0%-10.5%
Other	410	—	8.0%	8.0%
	23,155	—		
	$256,611	$5,880		

Category	1975 Leases	Sublease Rentals	Interest Rate Weighted Average	Interest Rate Range
Oil and gas operations —				
International production and exploration:				
Leases, exploration costs and well equipment	$ 2,463	$ —	10.0%	10.0%
Other	4,048	—	12.0%	9.5%-12.0%
	6,511	—		
International refining and transportation:				
Refineries and terminals	1,538	—	8.6%	8.5%-12.6%
Other	208	282	11.4%	10.0%-12.0%
	1,746	282		
Chemical operations —				
Land and land improvements	19	—	6.0%	6.0%
Buildings	12,178	5,849	6.6%	4.9%-10.0%
Machinery and equipment	217,387	—	7.5%	2.6%-15.0%
Other	6,878	—	7.2%	6.8%- 9.5%
	236,462	5,849		
Coal operations —				
Mining equipment and related facilities	18,548	—	7.7%	5.0%-10.5%
Other	498	—	8.0%	8.0%
	19,046	—		
	$263,765	$6,131		

The total rental expense, net of an immaterial amount of sublease rentals, was as follows (amounts in thousands):

	Contingent Leases	Financing Leases	Other Leases	Total
1976	$5,187	$31,656	$15,570	$52,413
1975	5,441	19,004	13,490	37,935

Other contingencies and commitments

Occidental had approved for commitment major capital expenditures of approximately $780,000,000 at December 31, 1976. In addition, Occidental will have to make major capital expenditures estimated at $200,000,000 in connection with the sale of superphosphoric acid to the U.S.S.R.

See Note 4 for a discussion of the Peruvian pipeline commitment.

Occidental and its subsidiaries have certain other contingent liabilities and claims under contracts as guarantors of debt, as joint venturers and with regard to other potential obligations, all in the ordinary course of business. Officials of Occidental are of the opinion that such contingent liabilities will not result in any significant financial liability in relation to the net assets of Occidental and its subsidiaries.

10. Domestic and foreign income, franchise and other taxes

The provision for domestic and foreign income, franchise and other taxes consisted of the following (amounts in thousands):

	U.S. Federal	U.S. State and Local	Foreign	Total
1976 —				
Current	$30,911	$10,917	$503,403	$545,231
Deferred	4,727	2,788	(543)	6,972
	$35,638	$13,705	$502,860	$552,203
1975 —				
Current	$ 7,000	$15,678	$408,955	$431,633
Deferred	5,500	18	4,224	9,742
	$12,500	$15,696	$413,179	$441,375

The following is an analysis of the difference between Occidental's effective tax rates of 75 per cent in 1976 and 72 per cent in 1975 and that computed by applying the U.S. federal income tax rate of 48 per cent to income before tax (amounts in thousands):

	1976 Amount	1976 Percent of Pretax Income	1975 Amount	1975 Percent of Pretax Income
Computed expected tax expense	$353,244	48%	$294,399	48%
Excess of foreign taxes over U.S. limitation on utilization of foreign tax credits	242,881	33	206,150	34
Domestic statutory depletion for mining revenues in excess of cost depletion	(24,646)	(3)	(30,902)	(5)
Income attributable to DISC deemed permanently deferred	(2,908)	—	(8,607)	(1)
Differences related to foreign operations deemed permanently deferred (through 1975)	—	—	(15,968)	(2)
Investment tax credit	(25,711)	(4)	(15,501)	(3)
Federal minimum tax on preference items and state taxes	11,115	1	15,162	2
Other permanent differences	(1,772)	—	(3,358)	(1)
	$552,203	75%	$441,375	72%

Substantially all of the current provisions for foreign income taxes relate to Occidental's Libyan operations. The Internal Revenue Service has completed its audits through 1972, and no significant adjustments were proposed.

The following is a summary of operating and income taxes charged to operations (amounts in thousands):

	1976	1975
Operating taxes —		
Property	$ 11,477	$ 10,759
Gross production	15,338	16,898
Payroll	32,039	28,898
Other	37,021	23,936
	95,875	80,491
Income taxes —		
Federal —		
Current	30,911	7,000
Deferred	4,727	5,500
State and local	13,705	15,696
Foreign —		
Current	503,403	408,955
Deferred	(543)	4,224
	552,203	441,375
Total	$648,078	$521,866

11. Capital stock and stock options

Capital stock

The following is an analysis of the capital stock accounts for the two years ended December 31, 1976, including 574,582 common shares held in treasury at December 31, 1976 and 1975 (shares in thousands):

		Preferred Stocks				
	Common Shares	Nonconvertible		Convertible		
		$8.00	$2.50	$4.00	$3.60	$2.16
Balance, December 31, 1974	55,681	175	—	1,249	3,265	548
Preferred stock issued	—	—	3,000	—	—	—
Conversion of preferred stocks	1,092	—	—	(65)	(273)	—
Stock options exercised	50	—	—	—	—	—
Balance, December 31, 1975	56,823	175	3,000	1,184	2,992	548
Conversion of preferred stocks	493	—	—	(1)	(152)	—
Stock options exercised	210	—	—	—	—	—
Balance, December 31, 1976	57,526	175	3,000	1,183	2,840	548

The holders of preferred stocks are entitled to voting rights and cumulative quarterly dividends.

The $4.00, $3.60 and $2.16 convertible preferred stocks are redeemable at the option of Occidental at $105, $100 and $47.50, respectively, and at December 31, 1976, are convertible into 3.1546, 3.2373 and 1.6000 common shares, respectively. Occidental has reserved approximately 13,804,000 common shares at December 31, 1976, for conversion of convertible preferred stocks.

The $8.00 nonconvertible preferred stock is redeemable at the option of Occidental at $100 per share; however, it is subject to mandatory redemption through sinking fund requirements from 1978 through 1981 at $100 per share.

During 1975, 3,000,000 units, each unit consisting of one share of $2.50 nonconvertible preferred stock and one warrant to purchase one common share, were issued. The $2.50 nonconvertible preferred stock is redeemable at the option of Occidental at $27.50 per share commencing in 1980 and at declining amounts thereafter through 1995; however, it is subject to mandatory redemption through sinking fund requirements commencing in 1981 through 2000 at $25.00 per share. The discount (the difference between mandatory redemption value and fair market value at date of issuance, net of amortization) of $15,982,000 at December 31, 1976, on the issuance of the nonconvertible preferred stock will be amortized to additional paid-in capital through October 1, 2000. Amortization amounted to $1,121,000 during 1976. The warrants are separately transferable and entitle the holder to purchase one common share at $16.25 until April 22, 1980, unless extended by Occidental. Upon expiration, one common share will be issued for each 100 warrants. Approximately 3,000,000 common shares have been reserved for the exercise of warrants. The value assigned to the warrants of $13,236,000, representing the estimated fair market value on date of issuance, is included in additional paid-in capital.

The convertible subordinated debentures are redeemable at the option of Occidental, in whole or in part, at 105.5 per cent of the principal amount plus accrued interest, and at amounts decreasing on June 15 of each year. The debentures are subject to sinking fund requirements commencing June 15, 1982, providing for the retirement of $6,250,000 principal amount annually and, in addition, Occidental may, at its option commencing June 15, 1976, provide for the retirement of up to $6,250,000 principal amount annually, in each case at 100 per cent of the principal amount plus accrued interest. The debentures are convertible, prior to maturity or retirement, into common shares of Occidental at $20 per share and approximately 6,250,000 shares have been reserved for such conversion.

Stock options

Options to purchase common shares of Occidental have been granted to officers and employees under stock option plans adopted in 1966 and 1971. At December 31, 1976, options to purchase approximately 1,786,000 common shares were outstanding at exercise prices from $8.00 to $23.00 per share, and approximately 527,000 common shares were reserved for the granting of additional options. During 1976 and 1975, options for approximately 363,000 and 94,000 shares, respectively, became exercisable and options for 1,026,000 shares were exercisable at December 31, 1976.

The following is a summary of stock option transactions during 1976 and 1975 (shares in thousands):

	1976	1975
Beginning balance	1,895	1,213
Granted	160	923
Exercised	(210)	(50)
Canceled	(59)	(191)
Ending balance	1,786	1,895

No amounts have been reflected in the income accounts of Occidental with respect to stock options. Proceeds from sales of common shares upon exercise are credited to the common share account at par value, and the amounts in excess thereof are credited to additional paid-in capital.

12. Retirement plans

The total expense of Occidental's pension plans was $21,135,000 in 1976 and $20,250,000 in 1975. On the most

recent valuation dates, pension funds and amounts accrued exceeded or approximated the actuarially computed value of vested benefits.

In 1976, Occidental amended some of its pension plans to conform with certain provisions of the Pension Reform Act of 1974 which became effective in 1976. Such amendments did not have a significant effect on pension costs, the funding of such costs or unfunded vested benefits for the year ended December 31, 1976.

13. Bonus and profit-sharing plan

Occidental has an Executive Incentive Compensation Plan for officers and key employees which is administered by a committee consisting of five members of the board of directors. Bonuses are based upon the extent to which operational results of each division exceed a designated rate of return on equity. Generally, an employee cannot receive an award in excess of 40 per cent of his base salary. Bonuses are payable in cash, and the amount charged to operations was approximately $2,500,000 during 1976 and $2,000,000 during 1975.

14. Earnings per common share

Earnings per common and common equivalent share were computed by dividing net income (after deducting applicable preferred dividends and amortization of discount on preferred stock) by the weighted average number of shares of common stock and common stock equivalents outstanding during each year. Common stock equivalents include the number of common shares issuable on the exercise of dilutive warrants and employee stock options less the number of shares of common stock which could have been purchased with the proceeds from the exercise of such warrants and options; these purchases were assumed to have been made at the average market price of the common stock during the year.

Fully diluted earnings per share were determined on the assumption that all outstanding convertible preferred stock, convertible debentures, stock options and warrants having a dilutive effect on earnings per share had been converted or exercised. Applicable preferred dividends and interest expense (net of tax effect) were eliminated. As to the warrants and stock options, outstanding shares were increased as described above for earnings per common and common equivalent share except that purchases of common stock were assumed to have been made at the higher of either the market price of the common stock at the end of the year or the average market price for the year.

15. Quarterly financial data (unaudited)

Summarized quarterly financial data is as follows (amounts in thousands, except per share amounts):

	Three Months Ended			
	March 31, 1976	June 30, 1976	September 30, 1976	December 31, 1976
Net sales	$1,097,017	$1,434,460	$1,386,055	$1,616,867
Gross profit	210,710	293,706	257,733	324,114
Net income	20,376	54,002	37,573	71,770
Earnings per common and common equivalent share	$ .24	$ .84	$ .55	$1.14
Fully diluted earnings per share	*	.68	.47	.90

*Not applicable as the effect of the calculation is antidilutive.

During the quarter ended September 30, 1976, Occidental's subsidiary, Island Creek Coal, Inc., sold certain of its coal reserves resulting in net income of approximately $7,200,000.

16. Replacement cost information (unaudited)

The impact of inflation on Occidental's operations and its investment in properties has been significant. Replacing items of property with assets having equivalent productive capacity will require substantially greater capital investment than was required to acquire such assets originally.

As required by the Securities and Exchange Commission (SEC), information will be included in Occidental's 1976 Annual Report on Form 10-K to be filed with the SEC (copy available upon request) with respect to estimated replacement cost of certain inventories and certain properties, plant and equipment at December 31, 1976, and related estimated effects on cost of sales and depreciation expense for the year then ended. The data have been prepared based on generalized guidelines provided by the SEC rather than well-defined standards and it has been necessary to use many hypothetical assumptions. While Occidental's replacement cost data will be presented in accordance with the SEC regulations, the information will be accompanied by appropriate cautions as to interpretation and usefulness of the data.

Report of Independent Public Accountants

To the Shareholders and Board of Directors,
Occidental Petroleum Corporation:

We have examined the consolidated balance sheets of OCCIDENTAL PETROLEUM CORPORATION (a California corporation) and consolidated subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the consolidated financial position of Occidental Petroleum Corporation and consolidated subsidiaries as of December 31, 1976 and 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

Los Angeles, California,
February 14, 1977.

Occidental Petroleum Corporation / Consolidated Employee Compensation and Benefits

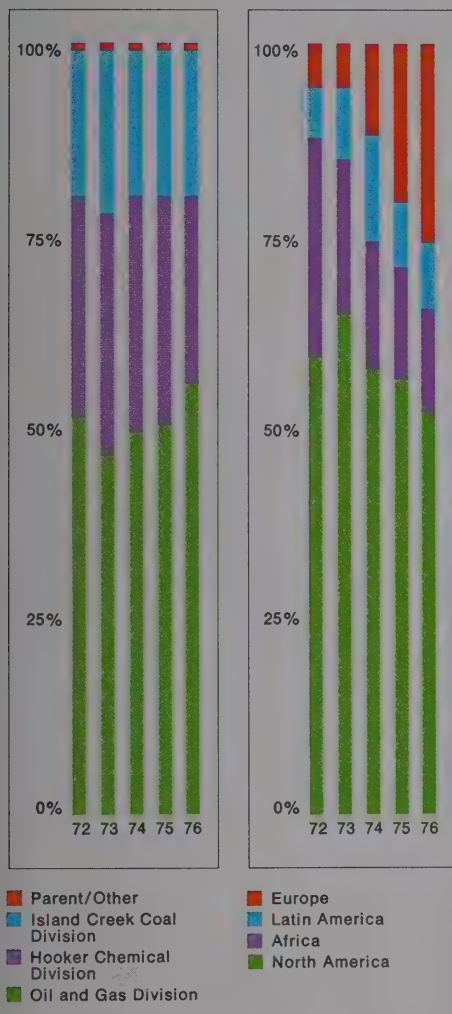
For the five years ended December 31, 1976

	1976	1975	1974	1973	1972
		(dollar amounts in thousands)			
EMPLOYEE COMPENSATION:					
Wages, salaries and related items	**$490,252**	$439,550	$382,816	$301,383	$281,640
OCCIDENTAL'S CONTRIBUTION TO COMPANY BENEFIT PLANS:					
Thrift plans	**$ 2,614**	$ 2,216	$ 1,320	$ 534	$ 531
Retirement plans	**21,871**	22,352	11,609	7,628	6,396
Group life and hospital insurance	**16,589**	13,566	10,626	9,862	8,775
Scholarship programs	**71**	72	174	217	689
Other employee benefits	**6,325**	3,454	3,181	4,835	4,201
Union retirement and welfare fund	**29,503**	24,659	15,590	13,996	12,030
Total	**$ 76,973**	$ 66,319	$ 42,500	$ 37,072	$ 32,622
EMPLOYEE CONTRIBUTIONS TO COMPANY BENEFIT PLANS:					
Thrift plans	**$ 5,244**	$ 4,524	$ 2,485	$ 1,383	$ 1,365
Retirement plans	**263**	608	859	316	407
Group life and hospital insurance	**1,260**	1,388	1,044	1,414	1,288
Total	**$ 6,767**	$ 6,520	$ 4,388	$ 3,113	$ 3,060
NUMBER OF EMPLOYEES:					
Oil and gas —					
United States	**2,111**	2,009	1,658	1,459	1,442
International	**2,618**	2,593	4,292	3,862	3,808
Chemical —					
United States	**10,821**	11,429	10,801	10,354	9,870
International	**7,815**	7,020	7,996	8,317	7,633
Coal	**8,659**	8,759	8,087	7,614	7,302
Others	**967**	1,127	1,069	652	523
Total	**32,991**	32,937	33,903	32,258	30,578

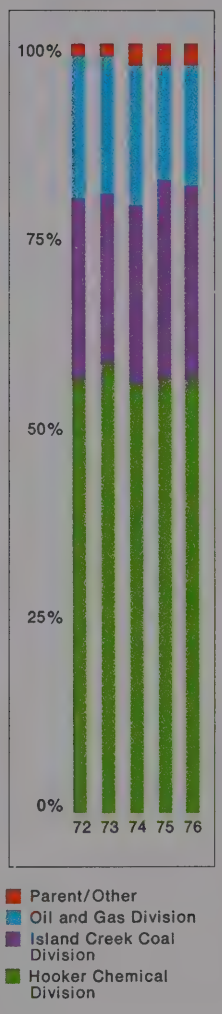
Occidental Petroleum Corporation/Oxy Around the World

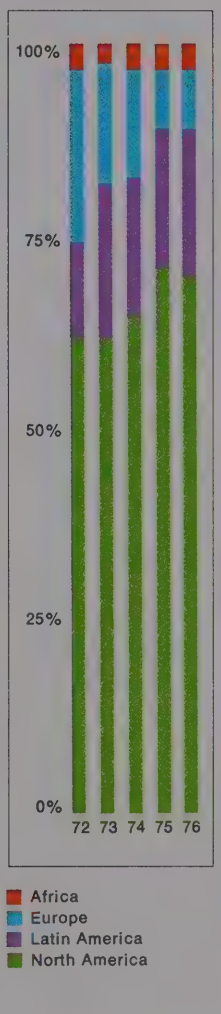
For the five years ended December 31, 1976

Property, Plant and Equipment

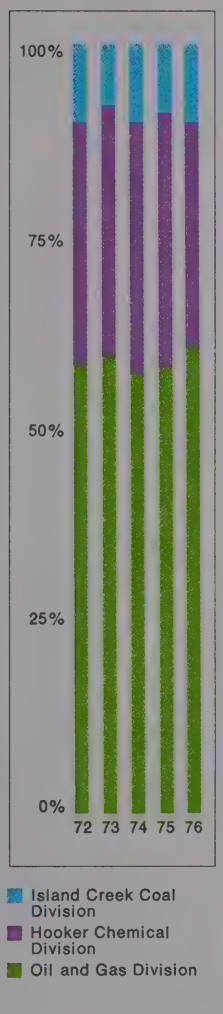


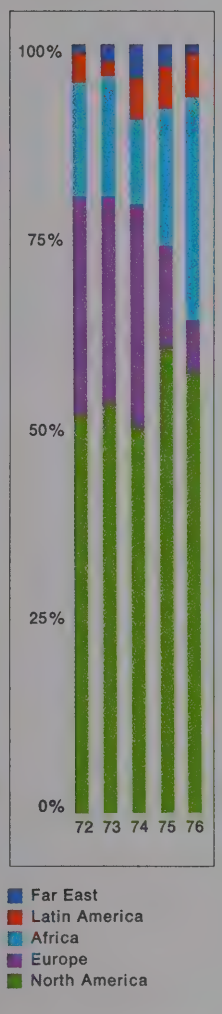
Employees

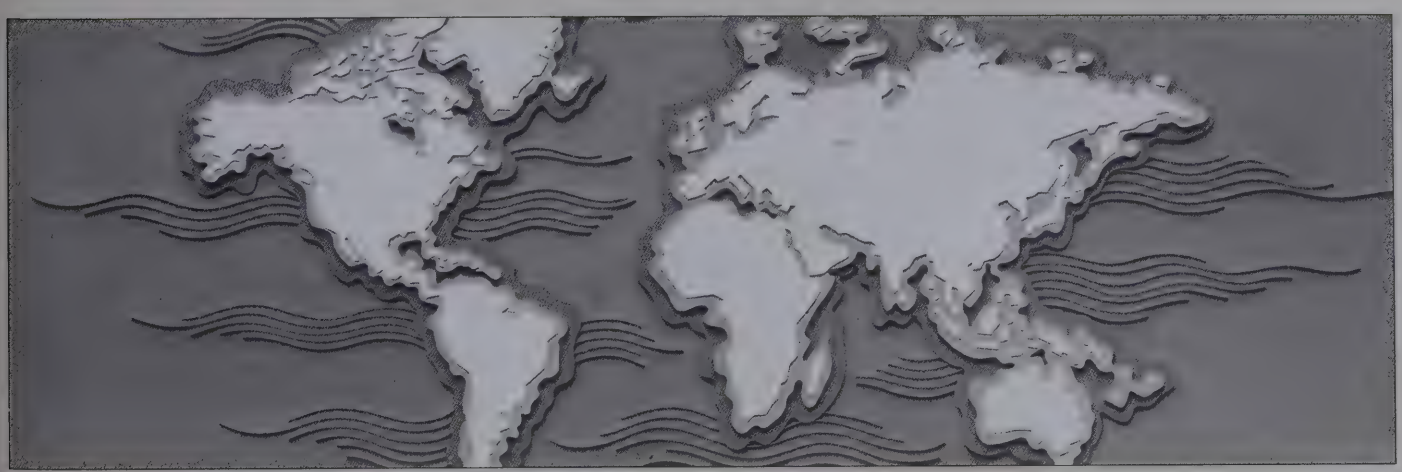




Revenues







Occidental Petroleum Corporation and Consolidated Subsidiaries/Statistical Highlights

For the five years ended December 31, 1976

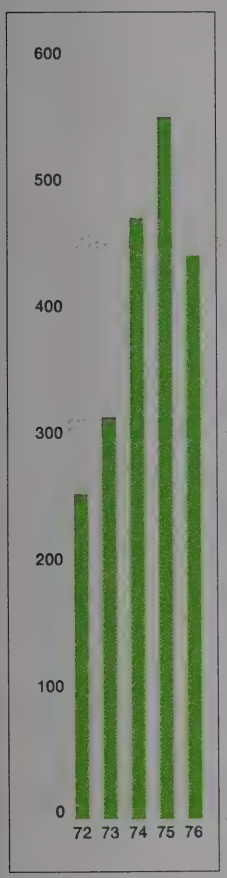
	1976	1975	1974	1973	1972
CHANGES IN FINANCIAL POSITION: (millions) —					
Total funds available:					
Funds from operations	**$ 364.7**	$ 418.6	$ 435.7	$ 205.2	$ 110.1
Additions to long-term debt	**141.9**	247.8	204.2	173.8	182.6
Issuance of equity	**27.0**	102.1	18.2	—	—
Notes and amounts due Libya	**—**	272.0	—	—	—
Other	**95.5**	126.8	138.9	183.1	40.7
Total	**629.1**	1,167.3	797.0	562.1	333.4
Total funds used:					
Additions to property, plant and equipment	**553.6**	495.7	424.0	199.4	181.2
Preferred dividends	**25.4**	23.6	19.3	19.3	19.2
Common dividends	**56.4**	55.8	13.8	—	—
Reduction in long-term debt	**72.1**	434.7	109.3	235.5	85.5
Other	**25.8**	76.5	80.1	47.6	31.9
Total	**733.3**	1,086.3	646.5	501.8	317.8
Increase (decrease) in working capital	**$ (104.2)**	$ 81.0	$ 150.5	$ 60.3	$ 15.6
BALANCE SHEET DATA (millions):					
Net working capital	**$ 440.4**	$ 544.6	$ 463.7	$ 313.1	$ 252.9
Net property	**$2,327.6**	$1,928.0	$1,640.9	$1,349.7	$1,436.7
Gross property	**$3,500.3**	$2,993.0	$2,630.4	$2,305.3	$2,142.1
Total assets	**$3,905.0**	$3,503.4	$3,292.7	$2,808.3	$2,561.1
Long-term debt	**$ 924.8**	$ 853.3	$1,040.3	$ 963.8	$ 995.8
Minority interest	**$ 125.2**	$ 70.2	$ 37.6	$ 18.6	$ 17.0
Shareholders' equity	**$1,305.3**	$1,200.6	$1,036.6	$ 792.3	$ 751.2
Current ratio	**1.48**	1.70	1.51	1.36	1.45
Equity/debt ratio	**1.41**	1.41	1.00	.82	.75
Equity/senior funded debt ratio	**1.63**	1.65	1.13	.94	.86
COMMON STOCK DATA:					
Primary earnings per share	**$ 2.77**	$ 2.64	$ 4.68	$ 0.75	$ (0.20)
Fully diluted earnings per share	**$ 2.27**	$ 2.20	$ 3.73	*	*
Dividends per share	**$ 1.00**	$ 1.00	$ 0.25	—	—
Stock price:					
High	**$ 24½**	$ 22⅝	$ 14⅝	$ 13½	$ 18¼
Low	**$ 13½**	$ 12⅝	$ 7⅜	$ 7¾	$ 10
Average outstanding common shares and common share equivalents (millions)	**56.8**	55.9	55.1	55.1	55.1

*Not shown since effect would be antidilutive.

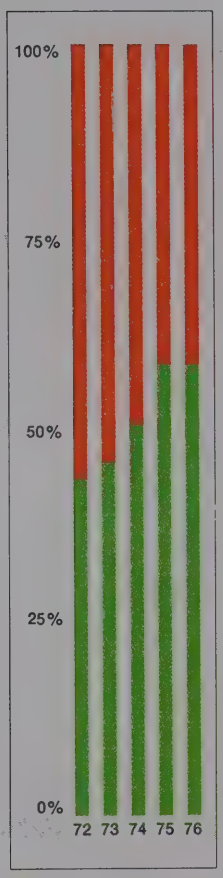
Occidental Petroleum Corporation and Consolidated Subsidiaries/Statistical Highlights

For the five years ended December 31, 1976

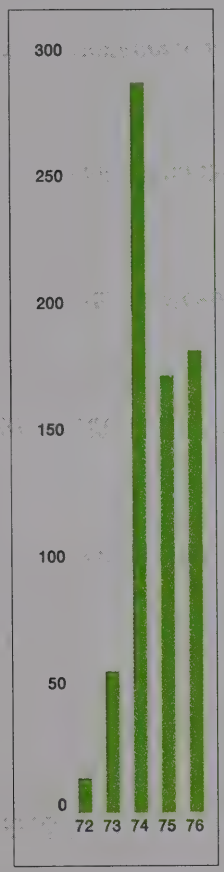
Net Working Capital
(in millions)



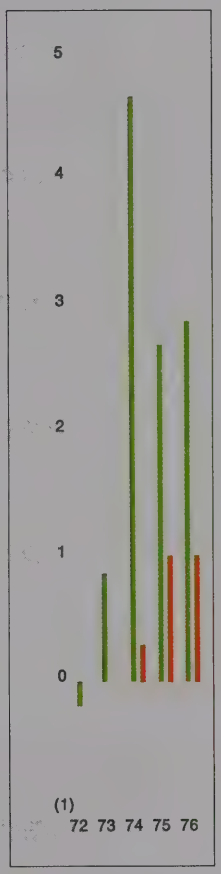
Capitalization Trends
(in percent)



Income Before Extraordinary Items
(in millions of dollars)



Earnings and Dividends Per Common Share
(in dollars)





Occidental Petroleum Corporation and Consolidated Subsidiaries
Seven Year Summary of Consolidated Operations

	1976	1975
Revenues:		
Net sales	**$5,534,399,000**	$5,345,938,000
Interest and other income	**75,960,000**	53,224,000
	5,610,359,000	5,399,162,000
Costs and other deductions:		
Cost of sales	**4,448,136,000**	4,353,699,000
Selling, general and administrative and other operating expenses	**333,773,000**	351,198,000
Provision for domestic and foreign income, franchise and other taxes	**552,203,000**	441,375,000
Interest and debt expense	**81,757,000**	73,154,000
Minority interests in net income of subsidiaries	**9,094,000**	5,128,000
	5,424,963,000	5,224,554,000
Income from continuing operations before gains (losses) from emergency fleet position and extraordinary items	**185,396,000**	174,608,000
Gains (losses) from emergency fleet position	**—**	—
Income (loss) from continuing operations before extraordinary items	**185,396,000**	174,608,000
Loss from discontinued operations	**(1,675,000)**	(2,652,000)
Income (loss) before extraordinary items	**183,721,000**	171,956,000
Extraordinary items	**—**	—
Net income (loss) including sales of coal lease rights in 1970* —		
Reflecting accounting changes[2]	**$ 183,721,000**	$ 171,956,000
As originally reported	**$ 183,721,000**	$ 171,956,000
Restatements:		
Research and development	**—**	—
Canadian deferred income taxes	**—**	—
Translation of foreign currencies	**—**	—
Net income (loss) as above	**$ 183,721,000**	$ 171,956,000
Net income per share including sales of coal lease rights in 1970*[1]:		
From continuing operations before extraordinary items	**$ 2.80**	$ 2.69
Loss from discontinued operations	**(.03)**	(0.05)
Extraordinary items	**—**	—
Total —		
Reflecting accounting changes[2]	**$ 2.77**	$ 2.64
As originally reported	**$ 2.77**	$ 2.64
Fully diluted net income per share including sales of coal lease rights in 1970	**$ 2.27**	$ 2.20
Net income excluding sales of coal lease rights*		
Primary net income per share excluding sales of coal lease rights*		
Fully diluted net income per share excluding sales of coal lease rights*		

*The Securities and Exchange Commission has alleged that certain sales of coal lease rights should not have been included in income in 1970. The company believes that the inclusion of such sales in income was proper. If such sales were not included in income, net income per share would be as set forth above on the last two asterisked lines.

[1]Based on average number of shares outstanding after giving effect to a stock dividend issued in 1970.

1974	1973	1972	1971	1970
$5,537,505,000	$3,013,815,000	$2,382,500,000	$2,280,261,000	$2,129,296,000
40,684,000	26,741,000	23,375,000	30,294,000	26,210,000
5,578,189,000	3,040,556,000	2,405,875,000	2,310,555,000	2,155,506,000
4,368,653,000	2,338,027,000	1,871,609,000	1,687,241,000	1,555,811,000
286,504,000	239,409,000	185,230,000	188,210,000	153,536,000
512,721,000	274,859,000	271,917,000	337,978,000	224,640,000
100,956,000	104,094,000	66,032,000	80,432,000	51,397,000
2,273,000	1,628,000	1,166,000	760,000	331,000
5,271,107,000	2,958,017,000	2,395,954,000	2,294,621,000	1,985,715,000
307,082,000	82,539,000	9,921,000	15,934,000	169,791,000
12,124,000	25,976,000	2,662,000	(87,931,000)	5,635,000
319,206,000	108,515,000	12,583,000	(71,997,000)	175,426,000
(41,981,000)	(48,059,000)	(5,100,000)	(8,760,000)	(4,609,000)
277,225,000	60,456,000	7,483,000	(80,757,000)	170,817,000
—	—	938,000	(8,473,000)	—
$ 277,225,000	$ 60,456,000	$ 8,421,000	$ (89,230,000)	$ 170,817,000
$ 280,677,000	$ 77,450,000	$ 10,419,000	$ (67,002,000)	$ 175,234,000
—	(5,584,000)	(5,749,000)	(5,988,000)	(5,437,000)
—	—	(1,812,000)	(921,000)	(172,000)
(3,452,000)	(11,410,000)	5,563,000	(15,319,000)	1,192,000
$ 277,225,000	$ 60,456,000	$ 8,421,000	$ (89,230,000)	$ 170,817,000
$ 5.44	$ 1.62	$ (0.12)	$ (1.70)	$ 2.92
(0.76)	(0.87)	(0.09)	(0.16)	(0.09)
—	—	0.01	(0.16)	—
$ 4.68	$ 0.75	$ (0.20)	$ (2.02)	$ 2.83
$ 4.74	$ 1.05	$ (0.16)	$ (1.61)	$ 2.92
$ 3.73	—[3]	—[3]	—[3]	$ 2.47
				$ 166,358,000
				$ 2.75
				$ 2.40

[2]Accounting changes represent retroactive restatements of earnings for (1) method of accounting for research and development costs, (2) provision for deferred Canadian income taxes, and (3) translation of foreign currencies.

[3]Not shown since the effect would be antidilutive.

Management's Discussion and Analysis of the Summary of Consolidated Operations

The following information should be read in conjunction with the tabular presentation of Occidental's net sales and income by lines of business for the five years ended December 31, 1976, on pages 85 and 86.

Comparison of 1974 to 1973

Net income increased by $216,769,000, or 358.6 per cent, in 1974. This increase was derived principally from Occidental's coal operations, where prices and margins for both steam and metallurgical coals were favorably affected by significant increases in prices for petroleum-based fuels, and from chemical operations, which had significantly improved phosphate fertilizer and chlor-alkali operations. A smaller increase was realized in Occidental's oil and gas operations, where a substantial decline in international refining and marine transportation income reduced gains from Libyan production and North American crude oil marketing and transportation.

Net sales increased by $2,523,690,000 (83.7 per cent) due primarily to a quadrupling of crude oil sales prices and significant price increases for agricultural chemicals, fertilizers and related products, but also to generally higher prices obtained in all other lines of business except marine charter rates. Sales volumes declined from 1973 for oil and gas operations, reflecting lower production in Libya and reduced European refining, and for coal operations, as the result of an industry-wide strike. Interest and other income increased by $13,943,000 (52.1 per cent) as a result of increased cash invested for the short term at higher rates.

Selling, general and administrative and other operating expenses increased by $47,095,000 or 19.7 per cent. However, these expenses declined to 5.2 per cent of net sales in 1974 compared with 7.9 per cent in 1973.

Certain individual items of expense (included in cost of sales, in selling, general and administrative and other operating expenses and in discontinued operations) showed material variations from year to year. Maintenance and repairs expense increased $26,058,000 (33.4 per cent) in 1974 due to substantial increases in the cost of labor and materials and the operation of many of Occidental's production facilities, principally in the Hooker Chemical Division, at or near capacity for the entire year. A $30,000,000 (21.1 per cent) decrease in 1974 in the provision for depreciation, depletion and amortization of property, plant and equipment was the result of the reduction in property, plant and equipment by the nationalization in August, 1973 of 51 per cent of Occidental's Libyan operations. As noted below, the 1973 provision also included a $20,000,000 reduction of the carrying value of certain assets associated with discontinued operations. With the exception of excise taxes, which decreased by $75,939,000, or 27.4 per cent, in 1974, taxes other than income taxes increased because of increasing rates and volumes of activity. The decrease in excise taxes was due to lower tonnages sold in the European retail marketing operations. Rent increased $4,534,000 (23.7 per cent) in 1974 because of an increase in leased facilities. Royalties doubled in 1974 to $126,346,000 as the result of a quadrupling during the year of the crude oil values on which royalties paid to the Libyan government were computed, offset by a 50 per cent reduction in the volume of crude oil on which the royalties were paid as a consequence of the 1973 nationalization and lower production in 1974.

The increase in 1974 in the provision for domestic and foreign income, franchise and other taxes consisted principally of foreign income taxes, which increased by $208,978,000 (77.6 per cent) as the result of substantially higher per barrel taxes paid to the Libyan government. The provision for domestic income taxes increased by $28,884,000 (527.2 per cent) because a substantial portion of the increase in 1974 net income was domestic in origin.

The 1974 loss from discontinued operations included a loss from European retail petroleum marketing operations of $30,389,000 compared with a loss in 1973 of $44,961,000, which included a $20,000,000 provision to reduce the carrying value of certain related fixed assets to estimated realizable values. Improved prices allowed in 1974 for refined products under European governmental controls were not sufficient to offset the higher cost of crude oil. The bulk of the European retail marketing operations were sold in December, 1974. Included in the 1974 loss from discontinued operations was a reserve provision of $7,000,000 to reduce the carrying values of certain real estate assets to estimated realizable values.

In 1974, Occidental elected to adopt a change to the LIFO (last-in, first-out) method of accounting for substantially all inventories from the previously used FIFO (first-in, first-out) method. Net income for 1974 was reduced by $48,112,000 as a result of this change. A restatement of results for prior years is not applicable since, under Accounting Principles Board Opinion No. 20, there is no cumulative effect of the change on prior years.

Comparison of 1975 to 1974

Net income decreased in 1975 by $105,269,000, or 38.0 per cent. This decline was primarily attributable to reduced income from Occidental's oil and gas operations and, to a lesser extent, from its chemical operations. The substantially reduced income from oil and gas opera-

tions was a consequence of lower profits from Libya, where margins were squeezed in the first six months of 1975 and Occidental's liftings were suspended by the Libyan government from October to early December, the write-offs of Occidental's investments in Venezuela and Nigeria, increases in the reserve for foreign oil and gas operations, and increased losses from marine transportation operations. Occidental's oil and gas investments in Venezuela and Nigeria, which totaled $106,758,000, along with certain other costs of investigating oil prospects abroad, were written off at the end of 1975 and resulted in a year-end charge to operations of $19,378,000 after utilization of the entire foreign oil and gas reserve of $45,880,000 and after application of the $41,500,000 tax benefit described below. In chemical operations, reduced margins on agricultural chemicals and fertilizers and in plastics operations, as well as a loss in metal-finishing operations, more than offset improved margins on industrial chemicals. Although income from coal operations increased in 1975, it declined during the last six months of 1975 compared to the last six months of 1974 due to reduced demand and prices.

Net sales decreased by $191,567,000, or 3.5 per cent, in 1975. This decrease occurred primarily in oil and gas operations, because of lower production and sales volumes in Libya and a continued decline in marine charter rates, and in chemical operations, due to lower volumes and prices for metal-finishing chemicals, agricultural chemicals and plastics, partially offset by increased sales of industrial chemicals. Sales from coal operations increased due to higher price realization on reduced volumes. Interest and other income increased by $12,540,000 (30.8 per cent) as a result of increased cash invested for the short term.

Cost of sales increased to 81.4 per cent of net sales in 1975 compared to 78.9 per cent in 1974, primarily as a result of increased costs in Libyan operations which more than offset increased margins for coal operations. Selling, general and administrative and other operating expenses increased by $64,694,000 (22.6 per cent) in 1975, primarily in chemical operations as a consequence of generally higher costs and selling expenses due to inflation and a major reorganization in foreign metal-finishing operations which resulted in non-recurring costs.

Maintenance and repairs expense increased $34,653,000 (33.3 per cent) in 1975 due to substantial increases in the cost of labor and materials and expansion of chemical facilities. A $26,134,000 (23.4 per cent) increase in depreciation, depletion and amortization of property, plant and equipment in 1975 was the result of reserve provisions for foreign oil and gas operations and other reserves which were not made in 1974, as well as increases in property, plant and equipment, principally in chemical and coal operations. Excise taxes decreased $189,450,000 (94.0 per cent) in 1975 as a consequence of the sale at the end of 1974 of the European retail marketing operations. Property, state franchise and other taxes increased $9,743,000 (21.7 per cent) largely due to higher rates. Rent increased $14,268,000 (60.3 per cent) in 1975 principally because of additional leased chemical facilities. Royalties increased $19,870,000 (15.7 per cent) as a result of higher average posted prices upon which royalties paid to the Libyan government were computed.

The decline in the provision for domestic and foreign income, franchise and other taxes was accounted for primarily by a decrease in foreign taxes of $65,179,000 (13.6 per cent) because of decreased production in Libya which resulted in lower taxes accrued to the Libyan government. See Note 10 to Consolidated Financial Statements. The provision for domestic income taxes also decreased by $6,167,000 (17.9 per cent) from 1974. A tax benefit of $41,500,000 associated with the write-off of Occidental's investments in Venezuela and Nigeria and in certain other areas, more than offset the increased taxes related to higher domestic earnings. See Note 4 to Consolidated Financial Statements. Interest and debt expense decreased by $27,802,000 (27.5 per cent) in 1975 due primarily to decreased debt levels and increased interest capitalized as a result of increased levels of construction spending, especially on the Piper field in the North Sea.

The gain from the emergency fleet position was immaterial in 1975 compared to $12,124,000 in 1974 when amortization of the reserve established in 1971 was substantially completed. The loss from discontinued operations decreased by $39,329,000, or 93.7 per cent, in 1975 primarily as a consequence of the disposal of the European retail marketing operations in December, 1974.

Because Occidental has substantial operations outside the United States, its income may be affected by changes in exchange rates between the United States dollar and foreign currencies. Included in net income was a gain resulting from the translation of foreign currencies of $1,338,000 in 1975, when the dollar was relatively stronger than in 1974, compared with a loss of $20,766,000 in 1974.

Comparison of 1976 to 1975

Net income increased by $11,765,000, or 6.8 per cent, in 1976. Income from oil and gas operations improved due to increased sales and margins in Libya. Income from chemical operations declined because of depressed fertilizer markets, despite improved industrial chemicals and plastics operations and the return to profitability of metal-finishing operations. Income from coal operations continued to decline because of reduced demand and prices.

Net sales increased in 1976 by $188,461,000 (or 3.5

per cent). Sales from oil and gas operations increased substantially due to higher sales volumes and prices of Libyan crude oil and higher volumes for other international crude oil marketing and product trading. These increases were offset partially by reduced levels for international refining, marine charter activity and domestic crude oil marketing and transportation. The increase in Libyan sales reflected the resumption of production and liftings in 1976 after the suspension of liftings for most of the fourth quarter of 1975 due to a dispute with the Libyan government. The increase in sales from oil and gas operations was partially offset by declines for the coal and chemical operations due to the depressed markets for lower quality steam coal and agricultural chemicals and fertilizers. Interest and other income increased by $22,736,000 (42.7 per cent) as a result of sales of property (primarily Utah coal reserves), increased earnings from unconsolidated subsidiaries and increased royalty income relating to chemical operations.

Cost of sales, as a percentage of net sales, decreased to 80.4 per cent in 1976 as compared to 81.4 per cent in 1975, primarily as a result of increased prices and margins in Libyan operations which more than offset increased costs (and decreased profit margins) for coal operations. Among other expense factors, excise taxes decreased $3,071,000 (25.6 per cent) due to reduced sales of refined petroleum products in Europe. Payroll taxes increased $3,141,000 (10.9 per cent) due primarily to increased rates. Rental expense increased $14,478,000 (38.2 per cent) principally because of several major chemical facilities leased in the fourth quarter of 1975. Research and development costs increased $7,364,000 (29.2 per cent) due primarily to increased expenditures for a solid waste recovery pilot plant in San Diego, California, and to higher new product development costs relating to chemicals and plastics. Royalties increased $79,713,000 (54.5 per cent) due to substantially higher production and higher posted prices of crude oil in Libya.

The provision for domestic and foreign income, franchise and other taxes increased by $110,828,000 (25.1 per cent) due primarily to higher foreign taxes caused by increased sales volumes in Libya and an increase in the posted price of oil upon which the Libyan tax is based. In addition, domestic income taxes increased due to higher pre-tax income and an increase in the effective tax rate. The provision for U.S. federal income taxes, which accounted for substantially all of the increase in total domestic taxes, increased in 1976 primarily as a consequence of changes made by the Tax Reduction Act of 1975 and the Tax Reform Act of 1976 in the method of computing allowable foreign tax credits for foreign operations, in the taxation of Occidental's exports of coal and phosphate rock and in the minimum tax on preference items.

Interest and debt expense increased $8,603,000 (11.8 per cent) in 1976, primarily as a consequence of several major debt financings in the fourth quarter of 1975 and in 1976, offset in part by increased interest capitalized in connection with construction spending on oil and gas development in the North Sea. Minority interests in net income of subsidiaries increased by $3,966,000 (77.3 per cent) in 1976 due primarily to dividends on preferred stock issued by Hooker Chemical Corporation in July, 1975 and to increased earnings of Canadian Occidental Petroleum Ltd., an 82 per cent-owned subsidiary.

During 1976, Occidental took steps to minimize the effects on its income of changes in exchange rates between the United States dollar and foreign currencies. As a consequence, 1976 net income included a loss of only $999,000 from the translation of foreign currencies, notwithstanding a substantial devaluation of the Mexican peso, compared with the gain of $1,338,000 in 1975.

Certain factors which may adversely affect future operations

Occidental's oil and gas exploration and production operations are principally located outside the United States. Consequently, the ability of Occidental to continue such operations or to maintain their potential profitability is subject to control and regulation by foreign governments. In general, such exploration and development programs require substantial investments, and operations in such foreign countries remain subject to the risk of takeover or restraints on potential profitability, through legislation or otherwise. See the discussion under "Oil and Gas Division" in this annual report for the current status of developments in Libya, the United Kingdom and Peru. See also Note 4 to Consolidated Financial Statements for Occidental's investments in these countries at December 31, 1976.

Future results of operations could also be adversely affected by a continuation of the depressed world tanker market (see Note 8 to Consolidated Financial Statements), the inability of Occidental to realize its investment in its refinery under construction in the United Kingdom (see Note 4 to Consolidated Financial Statements), its shale oil operations (see discussion under "Occidental Oil Shale, Inc.," in this annual report) or its discontinued real estate operations (see Note 2 to Consolidated Financial Statements), or as the result of the outcome of pending legal proceedings (see Note 9 to Consolidated Financial Statements). Because Occidental is heavily engaged in international operations, future currency fluctuations may have a material impact on operating results.

Lines of business

The following tables set forth the amounts and percentages of net sales and of income from continuing operations, before gains from emergency fleet position, interest, income taxes (but after Libyan income taxes), losses from discontinued operations, extraordinary item and unallocated corporate costs of Occidental Petroleum Corporation's lines of business during the five years ended December 31, 1976.

Net Sales

Lines of Business	Year Ended December 31, 1972 Amt.	1972 %	1973 Amt.	1973 %	1974 Amt.	1974 %	1975 Amt.	1975 %	1976 Amt.	1976 %
	(amounts in millions)									
OIL AND GAS OPERATIONS:										
International production and exploration[1]	$ 353.0	15%	$ 438.5	15%	$1,492.2	27%	$ 866.4	16%	$1,197.0	22%
International marketing and refining and marine transportation	338.3	14	438.6	15	317.5	6	523.3	10	629.5	11
North American crude oil marketing and transportation	584.5	24	752.2	24	1,453.9	26	1,662.0	31	1,543.9	28
United States production and exploration[2]	16.3	1	18.8	1	23.9	—	16.6	—	22.6	1
Total	1,292.1	54	1,648.1	55	3,287.5	59	3,068.3	57	3,393.0	62
CHEMICAL OPERATIONS:										
Industrial chemicals and other	184.1	8	209.5	7	349.4	6	476.0	9	530.8	9
Plastics	190.2	8	249.8	8	304.7	6	238.8	5	292.0	5
Metal-finishing chemicals, equipment and processes	205.6	8	289.3	10	360.5	7	264.2	5	231.8	4
Agricultural chemicals, fertilizers and related products	255.4	11	316.0	10	674.0	12	606.2	11	483.4	9
Total	835.3	35	1,064.6	35	1,688.6	31	1,585.2	30	1,538.0	27
COAL OPERATIONS	255.1	11	301.1	10	561.3	10	657.1	12	558.2	10
OTHER	—	—	—	—	.1	—	35.3	1	45.2	1
TOTAL NET SALES	$2,382.5	100%	$3,013.8	100%	$5,537.5	100%	$5,345.9	100%	$5,534.4	100%

(1) Excludes intercompany revenues from sale of petroleum to Occidental's international marketing and refining operations and to its North American crude oil marketing and transportation operations at transfer prices based on prices agreed to in current contracts with others. On the basis of such prices, such intercompany sales by Occidental's Libyan production operations aggregated approximately (amounts in millions) $123 in 1972, $209 in 1973, $126 in 1974, $200 in 1975 and $36 in 1976.

(2) Excludes the oil and gas operations of Canadian Occidental Petroleum Ltd., 82 per cent-owned by Hooker Chemical Corporation, which are included under chemical operations — industrial chemicals and other.

Lines of Business	Income									
	Year Ended December 31,									
	1972		1973		1974		1975		1976	
	Amt.	%	Amt.	%	Amt.	%	Amt.	%	Amt.	%
	(amounts in millions)									
OIL AND GAS OPERATIONS:										
International production and exploration[3]	$33.1	35%	$ 43.2	20%	$100.8	22%	$ (59.3)	(20)%	$ 79.7	23%
International marketing and refining and marine transportation	(6.7)	(7)	66.8	30	(3.5)	(1)	(20.3)	(7)	(25.8)	(8)
North American crude oil marketing and transportation	15.4	16	19.4	9	54.1	12	39.0	13	24.8	7
United States production and exploration[2]	1.6	1	.7	—	1.7	—	1.8	1	2.5	1
Total	43.4	45	130.1	59	153.1	33	(38.8)	(13)	81.2	23
CHEMICAL OPERATIONS:										
Industrial chemicals and other	15.2	16	17.2	8	49.7	11	87.8	29	93.4	27
Plastics	10.6	11	22.4	10	33.3	7	22.5	8	32.1	10
Metal-finishing chemicals, equipment and processes	13.6	14	21.7	10	9.7	2	(9.4)	(3)	11.8	4
Agricultural chemicals, fertilizers and related products	10.5	11	24.5	11	95.7	21	70.0	23	17.9	5
Total	49.9	52	85.8	39	188.4	41	170.9	57	155.2	46
COAL OPERATIONS	8.3	9	15.8	7	131.1	28	173.9	58	110.8	33
OTHER[4]	(6.1)	(6)	(11.1)	(5)	(9.7)	(2)	(6.8)	(2)	(6.2)	(2)
INCOME FROM CONTINUING OPERATIONS BEFORE ITEMS ENUMERATED BELOW	95.5	100%	220.6	100%	462.9	100%	299.2	100%	341.0	100%
Gain from emergency fleet position	2.7		26.0		12.1		—		—	
Interest income	7.5		9.1		18.8		22.7		19.9	
Interest and debt expense	(66.0)		(104.1)		(100.9)		(73.2)		(81.8)	
Income taxes (other than Libyan income taxes)	(9.8)		(14.7)		(44.2)		(44.1)		(71.2)	
Discontinued operations[5]	(5.1)		(48.1)		(42.0)		(2.7)		(1.7)	
Extraordinary item	.9		—		—		—		—	
Unallocated corporate costs	(17.3)		(28.3)		(29.5)		(29.9)		(22.5)	
NET INCOME	$ 8.4		$ 60.5		$277.2		$172.0		$183.7	

(3) Included in the net income from international production and exploration is income recognized on sales to Occidental's international marketing and refining operations and to its North American crude oil marketing and transportation operations calculated on the basis of the transfer prices described in note (1) on page 85.

(4) Occidental Research Corporation and other operations.

(5) European retail petroleum marketing operations and domestic real estate, both discontinued in 1974.

International Operations

Approximately $1,900,000,000 (48.7 per cent) of assets and $980,000,000 (37.7 per cent) of liabilities included in the December 31, 1976, consolidated balance sheet (page 62) pertain to operations outside the United States and Canada. The following table sets forth the amounts of net sales and income from continuing operations before certain items described under "Lines of Business" on page 85 which pertain to operations within the United States and Canada and outside such countries during the five years ended December 31, 1976.

	Year Ended December 31,									
	1972		1973		1974		1975		1976	
	Sales	Income	Sales	Income	Sales	Income	Sales	Income	Sales	Income
	(amounts in millions)									
U.S. and Canada	$1,472	$47	$1,751	$ 84	$2,827	$282	$3,085	$289	$2,935	$207
Outside U.S. and Canada	910	49	1,263	137	2,710	181	2,261	10	2,599	134
Total	$2,382	$96	$3,014	$221	$5,537	$463	$5,346	$299	$5,534	$341

Price ranges of common shares and preferred stocks

	*Preferred Stocks				Common Shares
Quarter	$4.00	$3.60	$2.50	$2.16	
1976:					
First	57 to 48⅛	58¼ to 46¾	24 to 20⅞	29⅜ to 26¼	18 to 14
Second	57½ to 47¾	58¾ to 46	24½ to 22⅝	30 to 26¼	18⅛ to 13½
Third	61 to 55¼	61⅞ to 55	25⅞ to 24	32 to 29¼	19⅜ to 16¾
Fourth	76½ to 55	78½ to 55	27¾ to 25¼	39¾ to 29⅞	24½ to 16⅞
1975:					
First	51 to 42	49¾ to 40¾	—	27¾ to 22⅛	15⅝ to 12⅝
Second	62¾ to 44⅝	64⅞ to 43	22⅞ to 19	33¼ to 23½	20 to 13⅛
Third	70¾ to 53	73 to 54¼	22¾ to 20¾	36 to 26¾	22⅝ to 16⅝
Fourth	55½ to 44¾	58 to 43⅝	21⅞ to 20⅛	28¾ to 23⅛	18 to 13

Dividends have been paid on the preferred stocks at the stated annual rate in quarterly installments each year.
A quarterly dividend of 25 cents per common share (annual rate of $1.00) was declared in November, 1974 and was paid on January 15, 1975, and dividends have been paid quarterly at the same rate since.

*The $8.00 preferred stock is excluded from the table as it is not publicly traded.

Divisions and Subsidiaries

CORPORATE HEADQUARTERS

Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024

Occidental International Corporation
1747 Pennsylvania Avenue N.W.
Washington, D.C. 20006

Oil and Gas Division

HEADQUARTERS
Occidental Oil and Gas Corporation
2000 South Post Oak Road
Houston, Texas 77056

OIL AND GAS EXPLORATION AND PRODUCTION

Occidental Exploration and Production Company
5000 Stockdale Highway
Bakersfield, California 93309

INTERNATIONAL REFINING AND TRANSPORTATION

Occidental International Oil, Inc.
16 Palace Street
London SW1E 5BQ, England

CRUDE OIL MARKETING

The Permian Corporation
2000 South Post Oak Road
Houston, Texas 77056

Occidental Crude Sales, Inc.
2000 South Post Oak Road
Houston, Texas 77056

MINERALS

Occidental Minerals Corporation
Irongate Building IV
777 South Wadsworth Boulevard
Lakewood, Colorado 80226

Island Creek Coal Division

HEADQUARTERS
Island Creek Coal Company
2355 Harrodsburg Road
Lexington, Kentucky 40504

Research and Development Division

Occidental Research Corporation
1855 Carrion Road
La Verne, California 91750

Hooker Chemical Division

HEADQUARTERS
Hooker Chemical Corporation
1900 St. James Place
Houston, Texas 77056

CHEMICALS AND PLASTICS DIVISION

HEADQUARTERS
Hooker Chemicals & Plastics Corp.
345 Third Street
Niagara Falls, New York 14303

METAL INDUSTRIES DIVISION

HEADQUARTERS
Oxy Metal Industries Corporation
21441 Hoover Road
Warren, Michigan 48089

AGRICULTURAL PRODUCTS GROUP

HEADQUARTERS
2000 South Post Oak Road
Houston, Texas 77056

Occidental Chemical Company
2000 South Post Oak Road
Houston, Texas 77056

International Ore & Fertilizer Corporation
1230 Avenue of the Americas
New York, New York 10020

CANADA

Canadian Occidental Petroleum Ltd.
550 Sixth Avenue S.W.
Calgary, Alberta, Canada T2P 0S3

Registrars

Bank of America
National Trust & Savings Association
(Common and convertible preferred stocks only)
Los Angeles, California

The Chase Manhattan Bank
(National Association)
(Common and $2.50 cumulative preferred stocks only)
New York, New York

Citibank, N.A.
($4.00 convertible preferred stock only)
New York, New York

Chemical Bank
($3.60 and $2.16 convertible preferred stocks only)
New York, New York

Montreal Trust Company
(Common stock only)
Toronto, Ontario, Canada

Security Pacific National Bank
($2.50 cumulative preferred stock only)
Los Angeles, California

Transfer Agents

The Chase Manhattan Bank
(National Association)
New York, New York

Security Pacific National Bank
Los Angeles, California

Canada Permanent Trust Company
(Common stock only)
Toronto, Ontario, Canada

Warrant Agents

The Chase Manhattan Bank
Security Pacific National Bank

Debenture Trustee

Bank of America
National Trust & Savings Association
Los Angeles, California

Debenture Authentication Agent

Bankers Trust Company
New York, New York

Note Trustee

Manufacturers Hanover Trust Company
New York, New York

Auditors

Arthur Andersen & Co.
Los Angeles, California

Stock Exchange Listings

COMMON STOCK

New York Stock Exchange
Pacific Stock Exchange
Amsterdam Stock Exchange
Antwerp Stock Exchange
Brussels Stock Exchange
Dusseldorf Stock Exchange
Frankfurt Stock Exchange
Hamburg Stock Exchange
The Stock Exchange, London
Toronto Stock Exchange

PREFERRED STOCKS

New York Stock Exchange

DEBENTURES, NOTES AND WARRANTS

New York Stock Exchange

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Annual Report on Form 10-K

Occidental Petroleum Corporation's annual filing with the Securities and Exchange Commission (form 10-K) is available without charge to shareholders who request it by writing to:

Paul C. Hebner, Secretary
Occidental Petroleum Corporation
10889 Wilshire Boulevard
Los Angeles, California 90024



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